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7 June 1982

# China Report

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## NATIONAL POLICY AND ISSUES

### 'GUANGMING RIBAO' STRESSES ECONOMIC RESULTS

HK120814 Beijing GUANGMING RIBAO in Chinese 1 May 82 p 3

[Article by Yu Zuyao [0060 4371 1031]: "Pay Serious Attention to Practical Results, Guard Against 'Artificially Inflated Figures'"]

[Text] Correctly handling the relationship between speed and results is a major issue in all our economic work.

After the October Revolution, Lenin poignantly pointed out, "Bravely forge ahead at full speed or perish. This is the choice history offers us." ("The impending catastrophe and how to combat it") but furthermore, Lenin taught the Russian people not to dream of a "fantastic speed," and that they should strive to achieve a "real speed." ("Collected Works of Lenin" vol 33, p 353)

After the founding of our country, we achieved, for a time, high speed that was accompanied with actual economic effect and this showed the vitality of the new socialist system. During the period of economic restoration, it took us only 3 years to restore our national economy which had suffered the destruction of prolonged war and was on the verge of complete collapse and thus brought a radical change for the better to the financial and economic situation of our country. After this, the first 5-year plan began. During this period, we maintained a steady speed in developing our national economy and succeeded in laying the initial foundation for an independent integrated industrial system and national economic system and in substantially raising the standard of living of our people. The average growth rate of our industrial and agricultural output value was 10.9 percent, the annual growth rate of national income averaged 8.9 percent and that of the financial revenue of the state averaged 15.1 percent. The average wage of staff and workers rose by 42.8 percent and the income of the peasants rose by 30 percent. During the readjustment period in the 1960's, the ratio of pretax profit to capital employed rose from 15.9 percent in 1961 to 29.8 percent in 1965 and the ratio of floating funds used in producing products to the output value of products dropped from 39.6 to 25.5 percent. During this period, the annual growth rate of total industrial and agricultural output averaged 17.9 percent and that of agricultural output averaged 17.9 percent. The annual growth rate of national income averaged 14.5 percent and the increase in national income resulting from every 100 yuan of accumulation rose from 1 yuan during the second 5-year plan to 57 yuan in this period. The average level of consumption of staff, workers and peasants was

higher than during the period of the first 5-year plan. By high speed of socialist economic development, we mean that under the socialist system "the productive forces are able to develop at a speed that is higher than that which could be attained in the old society. Thus production will be expanded continuously and the ever increasing demands of the people can gradually be satisfied." ("On Correctly Handling the Contradictions Among the People")

However, we have suffered very severely owing to our pursuance of an impractically high speed and our pursuance of a high speed without paying due attention to economic effect.

In 1958, after criticizing those who "opposed rash advance," we committed leftist mistakes in giving ideological guidance in our economic construction. The chief aspects of the mistakes were laying excessive stress on speed, neglecting effect, pursuing high targets and excessive accumulation, excessive waste and low consumption. The 3 consecutive years of the "great leap forward" resulted in a low annual rate of 0.6 percent in the average growth of total output value of industrial and agricultural production, the growth rate of industrial output value was only 3.8 percent and that of agricultural output value was a negative rate of 4.3 percent. The annual national income dropped by 3.1 percent on the average and we were forced to spend 3 years in readjusting our national economy. During the decade of turmoil, whether one upheld or opposed the "great leap forward" and "high speed" was regarded as the criterion for distinguishing between the two paths and the two lines in carrying out economic construction. The "eight-character policy" was denounced as "rightist opportunism." As a result, the national economy suffered great destruction. After the smashing of the "gang of four," we once more committed the mistakes of indiscriminately laying stress on high speed and neglecting economic effect. These mistakes further aggravated the disproportion that the decade of turmoil had given rise to and we were again forced to carry out a readjustment.

From the above we can see that pursuing an exaggerated high speed and neglecting economic effect will only lead to violent and rapid increases and decreases in our national economy and this can never ensure a continuous and steady growth of our national economy. On the contrary, it will give rise to the wasting of huge amounts of labor, funds, materials and goods instead of achieving greater output with less input. Besides, we are forced to reduce the people's consumption in exchange for the high speed, much less are we able to gradually satisfy the daily increasing demands in the material and cultural life of our people. Furthermore, this malpractice will only cause our national economy to develop in a lopsided manner instead of promoting the rational arrangement of the labor force and the rational arrangement of the economic structure. In short, in the development of the national economy this will only result in a vicious cycle of "leaping forward" and readjustments instead of a favorable cycle which all achieve relatively better economic effect and provide more benefits for the people.

What we want is a real speed rather than an exaggerated speed. We oppose the way of thinking of the coward and the sluggard and encourage going all out and aiming high. But in doing our economic work, we are realists not romantics. "Acting according to our capabilities and doing things step-by-step" is the

guideline that we must follow in our economic work. In doing anything at any time we should not try to go beyond the limit of our national resources. Whether our speed is fast or slow cannot be decided by our subjective desire. It can only be decided by our existing funds, resources of materials, goods and energy, our transportation and equipment capacity, our science, technology and education, the quality and amount of our labor force and other objective factors. Moreover, only when all these factors that restrict the speed of the growth of production are correctly integrated and coordinated with one another and only when all the sectors of the national economy and all the aspects of reproduction are being developed proportionately can we achieve a real speed. We can see from the course of development of the national economy, that proportionate relationships are constantly changing and balance is relative. However, proportionate relationships and a balance are the premises for development. Without them there will be no development at all. The development of the economy is achieved in the course of repeatedly destroying the old proportionate relationships and balances and establishing new and higher level proportionate relationships and balances. If, after destroying the old proportionate relationships and the old balances, we fail to establish new and higher level proportionate relationships and balances, we will be, in fact, destroying our economy instead of developing it and therefore we cannot talk of speed. Compared with speed, the proportionate relationships have priority. They decide the speed. Without proportionate relationships, there will never be any speed. When there is a conflict between seeking a high speed and pursuing proportionate relationships, it is better that we should reduce our speed. We must clearly understand that drawing up plans is aimed at consciously maintaining proportionate relationships and consciously handling the contradiction between balance and imbalance and turning imbalance into balance. Whether in drawing up national economic plans or production plans for individual enterprises, we should not regard the increase in the output or output value of a certain kind of product as the starting point or basis for the whole plan. Any output value or output quantity can only be the result of a comprehensive balance. However, for many years we always fixed the growth rate of output value and quantities first before arranging the energy, material and funds resources and the labor force. Thus the gap between the targets and the resources and between the targets and demands and the exaggeration of results became increasingly aggravated and this gave rise to a vicious cycle in our planning work.

What we want is a real speed that is accompanied with actual economic effect.

We must very clearly understand that in carrying out construction we are not pursuing speed for the sake of speed. A high speed in itself is not our goal. Striving to achieve a high speed is aimed at achieving the fundamental goal of socialist production--satisfying the continuously increasing demand in the people's material and cultural life. At the present stage of socialism in our country there is still production and exchange of commodities and whether in satisfying individual needs or in consumption of production we should rely on exchanges in the market. Therefore, all the products must meet the demands of society in terms of their quality, varieties, style and quantities. Only the products that meet the demands of society are marketable. Only when the products of an enterprise are marketable can the labor that has been expended in an enterprise's production be regarded as socially necessary labor and can

the value of the products be realized. Thus the labor used up in its production can be compensated, profits can be realized and reproduction can be maintained. On the contrary, if an enterprise neglects the social demand for its products and blindly carries out its production, the more it increases its output and output value, the greater the unmarketable stock it will have. Then its financial income will be exaggerated to an increasingly great extent and there will be an increasingly serious waste of social wealth. Therefore, the speed of growth in production can be real only when the marketable products are increased. Using less labor to increase the output of marketable products is the most important way to achieve good economic effect. No enterprises should set their goal solely on pursuing a high growth rate of output and output value or producing products which are to be stored. Instead, they should serve the needs of the market, focus their work on management and put achieving actual economic effect first.

In terms of the mutual relationship between speed and economic effect, the two are related and interact with one another. Therefore, without a certain degree of economic effect, there will be no speed and any economic effect is accompanied by a certain speed of growth. However, it is economic effect that decides the speed. An artificially inflated speed is achieved by wasting social wealth, while a real speed cannot be achieved unless we are particular about economic effect. Achieving the best economic effect necessarily means achieving the optimal speed. On the other hand, pursuing a greater speed while being particular about actual results will surely bring about greater economic effect. Thus, effect--greater speed--greater effect--even more steady, more real and greater speed...will create continuing cycles, each of which will raise the production and the people's livelihood to a higher plane. That is why we should seek the optimal speed by achieving the optimal effect and seek even greater effect by achieving the optimal speed. This is the only way to ensure the continuous, steady and proportionate development of production and to achieve the above-mentioned favorable cycles.

Since the 3d plenary session of the 11th CCP Central Committee, we have brought the guiding ideology in our economic work out of chaos. Moreover, the CCP Central Committee has put forth the 10 policies for economic construction which mark the fact that our socialist modernization has already begun to embark on a new route by which we will be able to achieve more real speed and better economic effect and by which our people will be able to get greater actual benefits.

But we should not think that we have already thoroughly overcome the erroneous view of laying stress on speed and neglecting economic effect. Last year, the growth rate of our industrial production was as high as 4.2 percent. In a period of economic readjustment, it was not easy to maintain such a growth rate. This showed that our country's economic situation had taken a turn for the better. However, we must soberly recognize that during the fourth quarter of last year some departments and areas increased their production by means of raising the quotas at each level and forcing the enterprises to indiscriminately increase their output value. As a result, the growth rate last year was to a certain degree artificially inflated. This reduced the economic effect. This was mainly shown in the following figures: At the end of last year, the unmarketable and dead stock in the storerooms of our commercial departments rose



by 25 percent over that at the end of the year before. The excess stock of mixed and chemical textiles, wristwatches, transistor receivers, fountain pens, socks and stockings amounted to billions of yuan. The ratio of floating funds used in products to the value of products of our state-owned enterprises averaged 31.3 percent which was 0.9 percent more than that of the year before. The quality of some products was uneven or even dropped substantially. According to the results of the tests and examinations that were carried out on 54 kinds of products produced in 12 industrial sectors, only 29 of them reached or surpassed their former best levels. The quality of textile industrial products was especially poor. The number of the enterprises that suffered losses rose. It rose from 22.4 percent of the total number of enterprises in 1980 to 27.1 percent last year. The average comparable cost of products rose by 1 percent, the labor productivity of the whole work force dropped by 1.8 percent and the ratio of pretax profits to value of products dropped by 0.9 percent.

At present an artificially inflated growth rate is very harmful to the implementation of the policy of readjustment and the stabilization of the economy. First, it aggravates the shortage of supplies of energy, materials and goods. Oil, electricity, coal and raw materials are the weak points in our national economy and the shortage of energy and raw materials have caused the equipment and personnel to be idle in many of our enterprises. At the same time, we are consuming our energy and raw materials in producing products that are of low quality and plain designs and that do not meet the demands of society, and we are thus wasting our social wealth. Second, it aggravates the imbalance between the supply and demand in our market. Over the past few years, along with the increase in the income of our rural and urban people, market demands have also risen sharply. Despite the rapid growth of the consumer goods industry, the supplies of commodities have continued to fall short of the purchasing power of the community. Under such circumstances, the greater the inflated growth rate of industrial production and the greater the output of unmarketable products, the greater the shortage of supplies in the market. This is because the enterprises that blindly seek high output value have paid excessive wages and bonuses which increases the purchasing power of the society and the state has increased its issuance of currency to purchase these unmarketable products. Both the increase in purchasing power and the increase in currency result in people not being able to find a corresponding amount of commodities to buy because some of the products are unmarketable. Obviously, this is harmful to the stability of prices and the stability of the market. Third, the blind production by our enterprises of those products for which there is no demand in society not only is unable to increase the financial revenue of the state, but will bring about a concealed financial deficit. When these products leave the producers, the producers will pay taxes and transfer their profits to the state and the state's revenue will be increased by a certain amount according to the increased book value of these products. However, as these products remain dead stock forever and their value is never realized, the financial revenue of the state is, in fact, artificially inflated by the unrealizable book value of these marketable products. Moreover, the state will incur more expenses in keeping these commodities in store. Therefore, an artificially inflated growth rate or a growth rate that is not accompanied with actual economic effect is by no means favorable and is definitely harmful to our efforts to bring about a radical turn for the better in the financial and economic situation. It is also unfavorable to our efforts to thoroughly eliminate the latent dangerous

factors in our national economy. This is a foolish malpractice of creating obstacles to readjustment while carrying out readjustment. We must never engage in it.

The target proposed by the central authorities for this year is to "ensure a growth rate of 4 percent and strive to achieve a growth rate of 5 percent." Both the goals of "4" percent and of "5" percent meant a real growth rate without the least artificial exaggeration. This growth rate is not only necessary in striving to bring a radical change for the better to our financial and economic situation, but is also a target that we are completely capable of achieving. This can be proved by the new results in our country's industrial production and the improvement in our economic effect that we achieved during the first quarter of this year. At present, our enterprises in all trades and professions have a large number of ways to increase their financial income. At the present scale of production, reducing the production costs in our industrial enterprises by 1 percent will increase our income by 2 billion yuan a year. If we can increase the circulation of floating funds throughout our country and thus reduce their total amount by 2 or 3 percent, we will be able to conserve 7 or 10 billion yuan of funds. At present, the chief danger is not the problem of whether we will be able to achieve a 4 or 5 percent growth rate, but the problem of the possible neglect of the economic effect and the malpractice of forcibly raising output value quotas level by level. We should soberly recognize that we are now still in a period of readjustment and there is still an imbalance between our state's financial revenue and expenditure. We should also soberly see that our shortage of energy will not be eased in the near future, that the readjustment and reform of our economic structure has just begun and that we have to continue to provide employment for our people. In these circumstances, we should not seek a greater growth rate. We have to seek a conservative growth rate in the coming few years, but during this period we will rationalize our economic structure and harmonize the proportionate relationships between various economic sectors. Thus we will be able to lay a sound foundation for the continuous and steady growth of our national economy in the future. The present situation is that we can maintain a steady growth rate in developing our agriculture by means of implementing correct policies and popularizing scientific farming and we can continue to relatively quickly develop our light industry. But a major issue is the decline in our heavy industrial production, which directly affects the growth rate of our national economy and the financial revenue of our state. In the process of readjusting the service orientation and production structure of our heavy industry, this decline is expected and cannot be avoided. In reducing the rate at which our heavy industrial production declines, we must not try to blindly raise the growth rate of our heavy industrial production. We should make vigorous efforts to readjust the service orientation and production structure of our heavy industry. Otherwise, the malpractice of increasing production only to increase dead stock will again occur.

CSO: 4006/454

## NATIONAL POLICY AND ISSUES

### 'JINGJI YANJIU' DISCUSSES GEOLOGICAL ECONOMY

HK211325 Beijing JINGJI YANJIU in Chinese No 4, 20 Apr 82 pp 22-26

[Article by Zhou Shiyu [0719 0013 3768], Metal Geological Prospecting Company, Xinjiang: "Macroeffects of Geological Economy:"]

[Text] Geological prospecting is a basic work in the national economy and it is of great significance in stepping up our modernization program. The development of geological prospecting is closely related to the distribution, scale and growth of basic industry and it has a great effect on the whole situation of economic construction. As the national economy is undergoing readjustment at present, it is consequently necessary to readjust the geological economy and overcome the influences of the "Leftist" mistakes so that the distribution of geological work will accord with the principle of economic rationality. This will improve economic effects in an overall way and serve socialist construction still better. All this has to be urgently and conscientiously studied and it merits our attention.

#### I. Paying Attention to Studying Macroeffects of Geological Economy

At present, the geological department has become an industrial department that is armed with various modern technologies and that is composed of various sciences, stages and types of works. It represents the scientific work in the investigation and study of mineral resources as well as big scale social economic activities that consume enormous manpower, material power and financial power. All activities in mineral prospecting have to pay attention to their effects and must compare what is consumed with what is gained. Therefore like other economic departments, the geological economy must also pay attention to economic effects and must spare no efforts to achieve better and more beneficial geological effects with as little labor (live labor and materialized labor) consumption and with the shortest period between finding minerals and surveying sites. With such a general goal, it is imperative to pay attention to both microeconomic effects and macroeconomic effects.

The so-called macroscopic geological economic effects mean that we must proceed from the whole situations of the national economy and resort to the viewpoint of macroeconomy to investigate the economic rationality of the distribution of geological prospecting. We must unify the verified mineral deposits with the utilization of minerals in production and construction so that our mineral resources can be rationally, more economically and more fully utilized for the greatest comprehensive economic effects. Microscopic geological economic



effects refer to internal geological relationships and more concrete economic effects. Improving geological economic effects in an overall way includes macroeconomic policies and individual specific microeconomic activities and therefore these two aspects must be studied. Viewed from historical experiences and the present situation, it is of greater and more realistic significance to study macroscopic geological economic effects. This is because mineral resources are an important material base for the construction of the modernizations and macroscopically they have an important influence on state economic policies as well as on development strategy. For example, in defining the goal of economic construction, in the rational distribution of industry, the rational utilization of industry and in working out technological and economic policies, it is necessary to pay attention to mineral resources. Therefore, the question of geological economic effects is first of all a question of macroeconomic effects. In speaking of the microgeological economy, it is a basic principle to pay attention to macroscopic geological economic effects. Of course, studying geological economic effects from the point of the macroeconomy does not mean neglecting the study of microscopic economic effects; these two cannot be separated as they are interconnected and condition each other.

Since the founding of the PRC, our country has made tremendous achievements in geological work. Deposits of more than 130 varieties of minerals have been located, with the deposits of some important ores being among the biggest in the world. Ours is one of the few countries in the world with fairly complete mineral resources and this situation has provided a strong material foundation for our socialist modernization program. But for a long period in the past, we did not pay enough attention to geological economic effects. We studied very little and the study was just mainly concentrated in geological technical analysis and economic analysis; we did not study macroscopic effects. As a result, the effects of the whole geological economy were not satisfactory. Now, the state is investing several billion yuan every year in geological prospecting but the achievements do not match the investments. The work in our geological prospecting is characterized by huge consumption, small achievements, long cycles, many "stagnant mines" and low resource utilization rate. This situation fails to meet the needs of the development of the national economy. Therefore in readjusting the national economy at present, it is necessary to put the study of macroeconomic geological effects in an important position.

## II. Persist in Carrying Out Work According to Objective Geological Law

Persisting in carrying out work according to geological law, proceeding from geological and mineral conditions, arranging geological prospecting according to specific conditions, increasing the rate of the work of finding ores and uncynying [as published] geological achievements with economic effects are very important in improving macrogeological economic effects. In paying attention to macrogeological economic effects, it is necessary first of all to depend on the achievements in finding minerals, on the amount of the labor consumed in the achievements and on the value of such economic effects.

The formation and distribution of mineral resources are objective natural phenomena that are strictly controlled by geological conditions. The location of minerals and their types are independent of people's will. Ours is a vast

country and the long process of geological history and various geological environments have been created with very favorable conditions for the formation of minerals. The regions with different geological background have their own minerals with specific features. Different geological conditions have resulted in different varieties of minerals with different sizes of ore beds. Such a complexity of mineral conditions and an unbalanced distribution lead to mineral products in various regions having their own features and advantages and this forms an unbalanced geological distribution of the resources. For example, more than a half of the iron ore deposits in our country are located in southern Liaoning Province, eastern Hebei Province and Sichuan Province and they are very limited in northwest and southern China; coal deposits in Shanxi Province and Inner Mongolia make up about 65 percent of the national total but they are very limited in the nine provinces south of the Changjiang River; 90 percent of our bauxite deposits are in Shanxi, Henan, Guizhou and Guangxi Provinces; more than 70 percent of our tungsten and tin deposits are in mountain regions south of the Changjiang River and they are rarely found in the regions north of the river; two-thirds of phosphate rock deposits are in Yunnan, Guizhou, Hunan and Hubei Provinces but they are rare in north and northwest China. All this means that in carrying out geological economic work we must proceed from different geological conditions and fully display the advantages of the resources of each region according to specific conditions. In the regions with favorable conditions for the formation of iron ore, the works must be centered on looking for iron ore while in the regions with favorable conditions for nonferrous metals the work must be mainly concentrated on looking for such metals. In this way, we will be able to achieve good results in prospecting for minerals. Otherwise, our work will be fruitless and we will cause waste. We have a number of experiences in this aspect. In the past, under the influence of the "leftist" guiding ideology, we ran counter to objective geological law and economic law, disregarded the feasibility factors of geological conditions, subjectively demanded that certain minerals must be located in certain regions and subjectively decided to "change the unbalanced situation in the distribution of mineral resources." Some principles of the macroscopic geological economy were characterized by the feature of acting rashly and this situation was directly shown in the guiding principles and demands with regard to looking for minerals. For example, under the influence of the principle of "taking steel as the key," it was decided that all regions must "mainly look for iron ores" irrespective of their geological conditions and the characteristics of their resources. The regions with favorable conditions for nonferrous mineral ores had to concentrate their efforts in looking for iron ores while the regions with unfavorable conditions had to "wage a war of attrition" in looking for the ores. In addition, under the demand of "changing the situation in which coal is transported south from the north," it was decided that all the coal-poor regions, south of the Changjiang River had to "launch a big war for coal," only to waste enormous amounts of funds with few achievements. In the past, we also improperly stressed the importance of various provinces setting up their own independent and complete industrial systems and under this influence, many provinces and regions were required to set up their own "resource system." It is obvious that, by disregarding the different features of the geological resource conditions of various places and demanding that each province have its own complete variety of minerals and set up its own "big and complete" and "small but complete" system of resources, this could only result in serious waste. Over

many years in the past, our macro-geological economic effects have turned from bad to worse and this situation is closely related to the fact that we have violated the guiding ideology and requirements of geological law. For quite a long period in the past, we often launched big geological prospecting campaigns which did not have a geological foundation and as a result, our enormous geological power became bogged for long periods in some regions without mineral deposits. On the other hand, prospecting work in some promising regions could not be carried out for a long period. As a result, the verification of deposits of advantageous resources of traditional ores (such as tungsten, tin and antimony) has drastically dropped and the deposits located are lagging behind the exploitative capacity. We cannot but say that it is a serious lesson.

Of course, stressing the importance of following objective geological law does not mean that it is not necessary to consider the needs of state construction. A socialist economy is a planned economy. Therefore it is wrong not to work hard to produce ores that are urgently needed in state construction, nor is it right to exploit any ores that can be found, regardless of the results or to carry out the work at will. We must be good at combining needs with feasibility and under the premise of the geological conditions, we must fully display the advantages of the resources of various regions so as to meet the needs of state construction. As long as we are able to proceed from the actual distribution of mineral ores, we will be able to find more and better ores so that in carrying out construction, our country will be able to select ores according to the principle of economic rationality.

In order to carry out geological work according to objective geological law and improve efficiency in finding mineral ores it is imperative for us to step up investigations on the basic geological situation, step up the study of basic geology, improve the study of regional minerals, do a good job in working out regional planning for predicting the likelihood of ore formation and grasp well the law of the formation of various ores as well as the prospects of the resources. Having done a good job in this strategic basic work, we will be able to understand the objective geological law, grasp the geological conditions and provide a scientific foundation for distributing geological prospecting according to specific conditions. This work is also an important method for improving macro-geological economic effects.

### III. Geological Prospecting Must Be Carried Out Proceeding From Economic Rationality, Exploitation and Utilization

In paying attention to macro-geological economic effects, it is required that we make the greatest possible geological achievements with the least labor consumption; it is also imperative to investigate from the angle of the national economy and the applicability of geological achievements and carry out economic evaluation. We must also combine the located ore deposits with rational exploitation and utilization because this work will also determine whether our production and construction can be carried out with greater, faster and better economic results.

The situation of mineral resources is more complicated. Ore beds are of different sizes and the amount of deposits is different, they may be rich or poor quality and they are of different depths. Some deposits are easy to ex-

exploit while some others are difficult. This is because there are different conditions for exploitation and construction and different areas have various economic-geological situations and different levels of regional economic development. Such different features of ore beds and different conditions have a direct influence on the economic effects of mining production and construction. After a mineral region is prospected, it largely depends on the above-mentioned conditions as to whether we can, in a timely way, and effectively, exploit and utilize the region. During a certain period, the state financial power is always limited. According to the development needs of the national economy, the direction of utilization, order to construction and extent of exploitation of mineral resources must be carried out in accordance with the scale of their economic effects. Priority must be given to ore mining regions with good conditions both in resources and in exploitation and construction. Therefore geological economic effects show not only the geological prospecting itself but what is more important is that they show the whole process of exploitation and utilization. That is to say, the economic value of an ore bed is determined not only by the geological conditions of this ore bed but also by inner and outer economic conditions of the region. We must be aware of the amount of the located deposits and what is more important is that we must understand whether the ore bed's technical and economic conditions are in line with the construction needs and whether or not they are accord with the exploitation and utilization of this ore bed. If we disregard the utilization for production and construction and if we lopsidedly stress the amounts of the deposits, the prospected minerals will not be able to be utilized and the mines will become "stagnant mines." What then is the actual significance of such deposits to the development of the national economy? In summing up the experiences of geological work over the last three decades and more, we have learned a series of lessons. That is how we have enormously increased the located deposits. For example, the located iron ore deposits amount to more than 44 billion tons. But those that can be utilized are few. We have enormous deposits of poor quality ore resources but few rich ore resources. The rich ores that can be directly put into furnaces only make up about 3 percent; the location of some ore deposits is too deep, and with complicated hydrogeological conditions they are therefore difficult to exploit; the separability of some ores is poor and 60 percent of ores cannot be separated. Although some ores contain various metals, their comprehensive utility rate is limited because our mineral separation technology is not up to standard; some other ore deposits are located in remote and barren regions 3,000 to 4,000 meters above sea level with difficult transportation conditions. They have very bad conditions for construction. In short, due to various reasons such as difficulty in exploitation, separation and construction, the deposits of the "stagnant mines" that cannot be utilized in the near future make up more than 60 percent of the total deposits. That is to say, seen from the view of geological departments, they have located a number of mineral deposits; but seen from the view of industrial departments, the amount of deposits that can be utilized for construction is very limited. That is to say, on the one hand, we are waiting for "rice" to cook and on the other hand, there is "rice" that cannot be cooked. This shows that our geological work, with regard to the distribution of the work and the selection of prospecting regions, has been carried out blindly to a great extent and that we have paid attention to the growth of total verified deposits but have not paid attention to the economic effects of these deposits. Therefore in order to enable geological work to serve the national economy still better, it is imperative to formulate the service ideology of "looking for minerals is aimed

at exploiting them," pay attention to geological economic rationality and look for more bigger and richer ore deposits with good construction conditions. Thus the located ores will be able to quickly display their roles in production and construction and increase the utility rate of our ore resources.

The question of stressing the importance of the economic effects of mineral resources is in fact a question of how to correctly display the advantages of the resources. When a region has an advantage of certain ores it means that this region has an objective opportunity but whether this advantage can be brought into play and if it can, to what extent, is decided by various conditions such as transportation, exploitation and separation technology, the relationship between supply and demand and other social and economic conditions. Therefore we must stress the importance of proceeding from the benefits to production and construction and we must economically and rationally arrange geological work and consider all these things as criteria in assessing macro-geological economic effects.

In order to avoid the emergence of "stagnant mines," increase the utility rate of ore resources and better guarantee for the level of production and construction, we must pay attention to the following two points:

First, all such measures as strictly controlling detailed prospecting of mineral regions, stepping up mineral investigation and initial prospecting and providing more reserve mines must be considered as important economic principles for resource prospecting technology. Detailed prospecting must be included in the intermediate period of state construction projects and such prospecting must be backed up by a full geological foundation and high economic value; otherwise such prospecting will be carried out blindly. In this way, we will be able to liberate enormous geological power from prospecting works for carrying out assessing works more effectively and providing more reserve mine base areas. Outwardly, limiting detailed prospecting means that the located industrial deposits will be small for a time being. But as more and more regions are initially prospected and more long-term deposits are located, there will be more choice in mine construction and this will provide a full geological foundation for state long-term planning. This means that there will be a very real guarantee for production and construction. Also, when we have grasped long-term deposits, when they are needed in production and construction, it is easier to carry out Jia Mi [0502 1378] projects and raise the levels of exploitation and the grading of reserves. We should not worry that there will be [a] lapse of time in this respect.

Second, carry out a feasibility study prior to prospecting and strictly select the regions for prospecting so as to improve efficiency. Following initial prospecting, whether a mineral region can be prospected in detail depends on the needs of state construction. Therefore it is imperative for us to conscientiously carry out technical and economic analysis and on this basis it is necessary to select and prospect those areas with good conditions. In this way we can basically guarantee the utilization of our geological achievements and reduce our blindness in this work. We must make it a rule that with regard to the mineral regions that become subject to detailed prospecting, it is necessary to work out and hand over a "report on the technical and economic



assessment of ore beds" and make correct geological and economic conclusions. Only deposits with industrial utilization value can be prospected. In this way, in working out state planning for mining construction, we will have an economic effect foundation in selecting prospecting regions and in arranging detailed prospecting tasks. As a result, we will be able to avoid the waste in capital construction and prospecting investments that may be caused by improper selection of mining regions.

#### IV. The Management of Geological Prospecting and Exploiting Must Be Transformed

Other important aspects of macro-geological economic effects are transforming the prospecting and exploiting management systems, carrying out comprehensive prospecting and comprehensive exploitation and utilization, shortening prospecting and construction periods and improving economic effects in prospecting mineral regions. Prospecting mineral regions is an important stage in geological work and it consumes enormous manpower, material power and financial power. At present, prospecting investments in general constitutes more than 60 percent of total investments and the results of prospecting are directly used in mining production and construction. Therefore economically and rationally prospecting and exploiting mineral regions is related not only to the microeconomic effects but also to the macroeconomic effects of the whole situation of mining construction. But over the past three decades and more, our management of and arrangements for prospecting mineral regions have basically followed the Russian method of divorcing prospecting from exploiting. This method is very irrational. According to this method, the more deposits located the better and the higher the degree of prospecting the better. As a result, the period of prospecting and construction is too long and the deposits are stockpiled and this situation has seriously affected the economic effects in prospecting mineral regions. At the same time, because of the lack of understanding comprehensive prospecting and exploiting, the prospecting and exploiting are carried out in disregard of other work. Each is only concerned with its own task of looking for certain minerals and each exploits the ores it is assigned to. Those which are responsible for ferrous metals do not care about nonferrous metals while those in charge of metal ores will not care about nonmetal ores. Thus while they are attending to one thing, they lose sight of another. As a result, repeated prospecting and investment occur, only causing serious waste. It is apparent that this management system of divorcing prospecting from exploiting and of solely prospecting mineral regions in disregard of other work is very irrational. In order to improve the prospecting of ore beds and the economic effects in exploiting mines, it is imperative, on the basis of summing up our experiences, to basically transform the current management system in prospecting and exploiting mineral regions and determine a prospecting method that accords with our national conditions. According to my view, we must proceed from the whole situation of stepping up mining construction and break away from departmental and regional management systems. On the basis of doing a good job in forecasting ore production and in working out planning for mineral regions, it is necessary to set up, according to mineral regions and zones, some unified prospecting and exploiting systems that break through the limits between departments and regions. This will change the prospecting and exploiting management system that is characterized by spheres divided according to administrative regions, and dispersing various ores to various industrial departments. In

this way, our geological work will accord with objective geological law and the specific law of the extraction industry. This situation will be in the interests of unified planning and the management of comprehensive prospecting, exploiting and utilizing of mineral resources and will basically solve the relationship between geology and mines. It will also be in the interests of conscientiously selecting mineral regions, strictly controlling detailed prospecting, rationally arranging construction periods, saving funds and achieving better economic effects.

The core of the above-mentioned transformation is to combine prospecting with exploiting and in the prospecting of ore beds and mine construction, to better combine time, space and engineering methods. In the past, detailed prospecting of mineral regions and exploitation construction were managed stage by stage by geological and mining departments. No matter what the size of an ore mine and no matter whether the ore beds' structure was simple or complicated, the exploiting of an ore bed could only be started after the completion of detailed prospecting and rational geological arrangement was made; as a result, the start of exploiting was postponed. Now, if we combine prospecting with exploiting, most prospecting work can be combined with exploiting. On the one hand, mining designing departments may, on the basis of geological reports, initially define the scale of construction and work out planning for exploitation so as to make arrangement as early as possible for the building of vertical shafts and for opening up shaft lanes in order to save time. On the other hand, as the prospecting of mineral regions is based on concrete mine design requirements and is defined after a common geological, design and mine study and the mining projects are closely combined with the opening of shaft lanes and the unified execution of the projects, prospecting can be carried out simultaneously with exploitation to avoid duplication in work. Various prospecting work must be arranged economically and rationally so as to meet the requirements of exploitation and guarantee the precision of prospecting. These measures will prevent excessive work, guarantee that the deposits that should be exploited, are and those which should not, are not and will be helpful in using an appropriate labor force with less investment and in achieving better economic effects in prospecting.

In prospecting mineral regions it is necessary to study well technical and economic policies. That is to say, it is necessary to study the reational life-sapn of the located deposits. In the past, we carried out prospecting of mineral regions without any restriction and the prospecting of mineral regions from several hundred million tons to dozens of billions of tons; the life-span of some mineral deposits was defined at dozens of years and some even more than 100 years. Even when the depth of prospecting exceeded existing exploiting technical levels, we still continued to look for deep deposits; in fact such mines are economically irrational "stagnant mines." The experiences in production and construction both at home and abroad showed that the life-span of a deposit-located mineral region is generally 15 to 20 years and the depth of prospecting should not exceed 300 meters; the live-span of some small but rich ore beds may be shortened to 5 to 10 years. The principle of "constructing and prospecting by states" and "prospecting the shallower part and controlling the deeper part" must be implemented in big mineral regions. That is to say, the prospecting of such mineral regions must not be completed at once and thus we can avoid excessive investments and excessive period. A

small number of drilling machines is enough for the deep ore deposits that can be exploited 2 to 3 decades in the future and it is not necessary to make too high demands with regard to the grade and prospecting depth of the deep deposits. This is because, following the exploitation of the shallow deposits, we will naturally understand still better the situation of the deep located ores. At the same time, even if additional prospecting is necessary later because of the production needs of a mine, this work can be carried out by using the profits made in the first phase of exploitation and this is more worthwhile than making new investments that will consequently be frozen for a long period.

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## NATIONAL POLICY AND ISSUES

### 'JINGJI YANJIU' ON VALUE OF CURRENCY, INVESTMENT

HK261341 Beijing JINGJI YANJIU in Chinese No 4, 20 Apr 82 pp 30-32

[Article by Fan Min [2868 3046] of Shaanxi Institute of Machinery: "The Concept of Present Value of Currency and Its Application in Policy Decision For Investment"]

[Text] Time is an important factor in the policy decision for investment. If this factor is not seriously considered, it is very probable that the investment will sustain heavy losses. Furthermore, the time factor in policy decisions for investment bears a close relationship to the concept of present value of currency. In the developing countries, of the projects invested or introduced from foreign countries, some projects come out with very unsatisfactory economic effect. This has something to do with the lack of this concept. Therefore, we must investigate and study the essential aspects of this concept.

#### 1. The Concept of Present Value of Currency

From the viewpoint of the capital movement, currency in different times has different values. One yuan at present is different in value from 1 yuan in the future. The former is called the present value of currency, and the latter is termed the terminal value of currency. The cognition of this economic problem may be simply called the concept of present value of currency.

Suppose 1 yuan can be utilized and is invested in production, with an annual profit of 10 percent. This sum plus 10 percent profit will be invested again, and the annual profit rate will also be 10 percent. In this way the 1 yuan will increase its value in the following manner:

	Yuan	Yuan
	1 (present value)	(terminal value)
Present, beginning of 1st year	1 (present value)	(terminal value)
End of 1st year	1 plus 0.1 equals	1.1
End of 2d year	1.1 plus 0.11 equals	1.21
End of 3d year	1.21 plus 0.121 equals	1.331
End of 4th year	1.331 plus 0.1331 equals	1.464

This is to say, the present value of 1 yuan is 1 yuan; its value at the end of the 1st year will be 1.1 yuan; its terminal value at the end of the 4th year will be 1.464 yuan. It is obvious that the present value of currency is not equal to its terminal value. The formula showing this relationship is:

$S$  equals  $P$  (1 plus  $R$ ) to the  $n$ th power

Where,  $S$  represents the terminal value of currency,  $P$  is its present value,  $R$  is the interest rate, and  $N$  is the period of years.

It can be seen from above that 1 yuan at present equals 1.464 yuan at the end of the 4th year from now. Because 1.464 is not a very convenient figure to use, it may assume the figure of 1 yuan, then if 1 yuan is the figure at the end of the 4th year, its present value is 0.683 yuan. The formula for this can be obtained by the shifting of the terms of the first formula mentioned above:

$P$  equals  $S$  divided by (1 plus  $R$ ) to the  $n$ th power

Based on this formula, the present value of 1 yuan at the end of each year that follows (profit rate: 10 percent) will be: end of the 1st year--0.909 yuan; end of the 2d year--0.826 yuan; end of the 3d year--0.751 yuan; end of the 4th year--0.683 yuan. This demonstrates that the 1 yuan at the end of the 1st year is equal to the present (beginning of the 1st year) 0.909 yuan, and the 1 yuan at the end of the 4th year is equal to the present 0.683 yuan.

In short, with reference to the concept of the present value of currency, for a certain amount of money, its present value becomes smaller if the time is farther away from now. Conversely, the money at present is more valuable than the same amount of money in the future.

## 2. The Cause of the Difference in Value Between the Terminal Value and the Present Value of Currency

Why and where does this difference in value between the present value and the terminal value occur? Some economists in the West interpret this as "remuneration gained through investment" and "the income brought about by the capital itself." All these are vulgar and ridiculous viewpoints. Currency itself, or capital itself, cannot create new value. The increment in value can only come from the labor of the workers. In the capitalist countries, the capitalists invest their currency (or capital) to employ the labor force and to purchase the means of production. The process in the combining of these two activities is also the process in which the workers make use of the means of production to manufacture goods through their labor. The laboring process transfer the value of the original means of production to the new products, and at the same time this process creates new value of its own, so that the value can be increased, that is, the value of the original investment (in the form of currency) can be increased. This is the source of difference in value between the terminal value and the present value of the currency. In other words, the source lies in the labor of the workers. The labor of the workers creates new value which makes the value at the end of a laboring process greater than the value

at the end of a laboring process greater than the value at the beginning, and this manifests itself in the form of the terminal value of currency being greater in value than the present value. It can be seen that the essence of increment in value is the labor of the workers, and the difference in value between the terminal value and the present value of currency is but a superficial phenomenon. But both are in existence as a matter of fact.

As the factor of the difference between terminal value and present value exists objectively, it should be under consideration in the activities of the socialist commodity economy, especially when making a decision for investment. It is especially true under the present circumstances that the capital in our country is not unlimited. Therefore, when using currency capital, especially when planning investments, consideration should be given not only to the profit that can be acquired in the future, but also to the time needed for the acquired profit. With the same profit, say 10,000 yuan, if it can be acquired earlier, it can be invested again. In other words, it can make the combination of the means of production with the labor force take place earlier and better, and expand reproduction intrinsically or extrinsically, thus adding more value and accumulation, and expediting the development of the socialist economy. On the contrary, if the profit or the recovery of the original investment is delayed, no such good economic results can be obtained. If a certain project, after its investment, cannot be put into operation for a long period, cannot acquire profit in time, keeping the means of production in stock for a long time and slowing down the circulation of capital, then the results will be very bad indeed. By what means can the investment gain good economic results and avoid harmful effect? One of the important means is to uphold the concept of the present value of currency, and make this concept work in the policy decision for investment and in the arrangement of capital.

### 3. The Application of the Concept of Present Value of Currency in Policy Decision for Investment

Generally speaking, investment can have the income of currency only after the capital (currency) has been invested for some time. Longer time will be required if the original investment is to be recovered. In other words, what is invested is the present currency, and what is to be recovered is the future currency--and these are quite different from each other. If we disregard this difference, the estimated effect for the investment will be in error and the policy decided with reference to this estimation will be incoherent, or even absolutely wrong, and will cause the state to sustain heavy losses.

How should we make use of the concept of present value of currency in policy decisions for investment? There are several ways which are illustrated below.

(1) The circulation of cash at a discount. Discount here means the present value of a certain amount of future capital calculated in accordance with a specific profit rate. The circulation of cash at a discount is the calculation of the present value of the currency income in every year from now in accordance with a certain profit rate. Then the total present value of this income (the cash flow) is compared with the total amount of original investment (the cash outflow). The reasonableness of this investment can then be judged from

whether the cash inflow is bigger than the cash outflow and how much the difference is between them.

Let us presume that 250,000 yuan is invested in a construction project and it goes into operation in the same year, the means of production is used up at the end of the 3d year, and the cash income (including profit and depreciation) at the end of each year is 100,000 yuan. If the factor of present value of currency is not taken into account, then the total cash income of the 3 years is 300,000 yuan, 50,000 yuan more than the original investment--that is to say, the profit is 50,000 yuan, and this consideration may lead to the conclusion that the investment for the project is correct. But in fact the conclusion is wrong, because the present value of currency is not considered. If this factor is taken into account, using the method of the circulation of cash at a discount, the present value of the income of each year is calculated in accordance with the average profit rate of that particular department, say 10 percent, and comparison is made between the total present value and the cash outflow value, then we can formulate the following list (unit: 10,000 yuan)

Cash outflow

Original investment	25
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Cash inflow

Cash obtained by sales (based on the present value)

1st year 10 multiplied by 0.909 equals 9.09

2d year 10 multiplied by 0.826 equals 8.26

3d year 10 multiplied by 0.751 equals 7.51

Total cash inflow	24.86
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Net present value	-0.14
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As a result of the calculation, the net present value (that is, the difference between the total present value of the forthcoming cash inflow and the total cash outflow) is not 50,000 yuan, but a negative figure: -0.14 (unit: 10,000; 67-). It is evident that this plan is not well-founded. In order to make this investment rational, efforts should be made to minimize the amount of investment, to increase the cash inflow after the project is in operation, that is, to economize the cash outflow and to increase the cash inflow, with a view to obtaining a greater amount of the net present value.

(2) The comparison of different plans for investment after discount. The criterion for comparison should be the ratio of "income after discount divided by cost after discount." Income after discount here means the total cash inflow after discount, or the total income through sales after discount; cost after discount here means the total cash outflow after discount, or the total investment after discount. If the result of the ratio is greater than 1, or the income is greater than the cost, it demonstrates that the plan for investment is rational. The greater the figure, the more rational it will be. If the result of the ratio is smaller than 1, or the cost is greater than the income, then this plan is irrational and should not be adopted. Suppose a certain construction project has three plans for investment (Unit: 10,000 yuan):

Plan	Cost After Discount (A)	Income After Discount (B)	B/A	Conclusion
I	100	110	1.10	Better
II	200	180	0.90	Poor
III	150	180	1.20	Best

of the above plans, plan II is the most irrational, because the ratio of income after discount/cost after discount is smaller than 1. Plans I and III are rational, because the ratios are both greater than 1, and plan III is more rational--it is the best plan of the three, since the result of the ratio is the greatest.

(3) The method of calculating recovery period of investment after discount. If the factor of the present currency value is not considered, the direct calculation of the recovery period of original investment is the simplest method of recovery. This method of evaluating investment is too simplistic to be termed scientific. If the factor of the present currency value is considered, and the present value of the cash in sales in the coming years is calculated according to a certain specified profit rate, and then the recovery period of investment is calculated based on this present value, this method is called the method of calculating recovery period of investment.

Suppose the planned investment of a certain project is 500,000 yuan, the operation can be in full swing in the same year, and the yearly cash in sales will be 100,000 yuan in the following years. If the time value of the currency is not considered, then a conclusion can be reached that in 5 years the investment will be fully recovered, or, the recovery period of investment is 5 years. If the investment recovery period planned by the department is 5 years, then based on the above conclusion, the policy decision of adopting this investment plan can be justified and finalized. But this conclusion is incorrect. Because the value of currency differs, the value of the 100,000 yuan to be recovered at the end of each following year is lower than the present 100,000 yuan. According to the above-mentioned formula for calculating the present value,  $P$  equals  $S$  divided by  $(1 + R)$  to the  $n$ th power, and suppose  $R$  equals 10 percent (based on the average profit rate of that department), then the recovered present value at the end of the 1st year will be only 90,000 yuan. The application of the same formula will give the value for the 100,000 yuan at the end of the 2d year through the 5th year. The present values will be 82,600 yuan, 75,100 yuan, 68,300 yuan and 62,100 yuan respectively. The total income of these 5 years will be only 379,000 yuan, which is less than 500,000 yuan. That is to say, the original investment cannot be recovered in 5 years' time, or, the recovery period for investment is more than 5 years--over 7 years. This greatly exceeds the planned recovery period, and shows that the plan for investment is incorrect, and the original policy decision for investment is irrational. In order to rationalize this investment, something must be done to ensure that more profit can be acquired within a shorter period, to make the capital circulate faster and to enable the investment to be recovered as soon as possible.

It can be seen from the above that in the policy decision for investment, the utilization of the concept of present value of currency can help to correctly evaluate the effect of investment, and to select the best plan for investment. In other aspects of capital utilization, this concept should also be adopted to figure out the requisite economic measures, such as granting the capital used by the enterprises through the bank with a specified interest rate to replace the sum being granted by the state without any interest, collecting taxes for the fixed assets of the state-run industries and enterprises, and so on. The utilization of this concept to adopt relevant economic measures can prompt various departments and enterprises to use their capital more rationally and more economically, to expedite the circulation of the capital and raise the economic effect, thus speeding up the development of socialist construction.

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## ECONOMIC MANAGEMENT

### 'JINGJI GUANLI' ON EMULATION WITHIN SAME TRADE

HK261013 Beijing JINGJI GUANLI in Chinese No 4, 15 Apr 82, pp 51-53

[Article by the National Defense Industry Union of the all-China Federation of Trade Unions: "Emulation Between Factories of the Same Trade is a Good Way to Speed up Industrial Development--Introducing the Experiences of Emulation Between Factories of the Television Trade"--passages within slantlines denote boldface type]

[Text] The national emulation between factories manufacturing televisions began in July 1979. At that time, the outstanding problems confronting the production of television sets were: poor quality of products, high cost of production, big losses, production quantity failing to meet market demands and great disparity existing between the enterprises. Moreover, there was no interchange of technology between the factories. Some factories adopted the policy of maintaining the utmost secrecy on their production technique, blocking any leackage therefrom, and thus generally hampering the tapping of the latent potentials. In order to rectify this situation, our union, working in conjunction with the state broadcasting and television general bureau, organized an emulation campaign between factories of the television trade, for the principal purposes of improving the quality of the products and lowering the production cost. At the start, there were 45 factories participating. Now the number of participants has increased to 57.

Over the past 2 years, we have tightly grasped the work of summing up and promoting advanced experience and extensively organized the activities of mutual help and mutual study between the factories, so as to effect the popularization of the advanced experiences and the gradual diminution of the disparities within the trade. As a result, backward factories have been able to catch up with the advanced ones, and the advanced level has continuously improved. This has played an important role in accelerating the development of the television industry. Thus, the output volume of television sets has greatly increased each year. In 1979, the output volume was 1.31 million sets. In 1980, it was 2.22 million sets, an increase of 69.5 percent. In 1981, it went up to 3.64 million sets, an increase of 64 percent over the preceding year. The quality of the products was also noticeably improved. In the 1979 quality appraisal conducted by the state, the average trouble-free period of operation of the various types of televisions was only 790 hours. An appraisal made in 1981 found that the period had been extended to 2,560 hours and that, in addition, in the case of some 22 types, it had actually been increased to 4,000 hours

and the work-reliability rate raised by 300 to 500 percent. At the same time, the cost of production has been lowered. Take for example the 12-inch black and white sets: in the first half year of 1979, the production cost per set was 430 yuan; now, it has dropped to 299 yuan which [is] 15 lower than the advanced level of 305 yuan before the emulation. Concurrently with the general reduction in the production cost, the disparities between the factories were reduced. At present, the per unit production cost ranges from a minimum of 254 yuan to a maximum of 355 yuan, a difference of around 100 yuan whereas formerly it was as high as over 360 yuan. The state of the whole trade suffering losses has also been changed to that of the whole trade generally making a profit. This has thus prepared the ground for lowering the prices of television sets and for their further popularization. The principal reasons why the emulation between factories of the television trade has produced such outstanding economic results may be analyzed as follows:

/1. Strengthen the ideological and political leadership work during the emulation, promote and bring the communist style of work into full play and continuously break through the technological blockade. All these are the logical premises and the ideological basis for achieving success and for the extent of the success achieved in mutual help and mutual study./ Before the emulation it has been quite common for the factories to strictly keep to themselves their technological knowhow and zealously guard against its leakage. Many factories had at first embodied high hopes when approaching their advanced counterparts for knowhow only to find themselves subsequently frustrated. Some knocked at the doors of the advanced factories for knowledge but were frequently denied admittance, or, though admitted, were given a cold reception. When confronted with key problems that affected everybody, they nevertheless had to break up and seek a solution separately. Certain technical problems concerning production might well have been solved by some of the factories already but the latter would still allow others to remain in the dark and to work out their own solution. Obviously, this caused a waste of manpower, natural resources and money. A situation of this kind could hardly do justice to the superiority of our socialist system. It was in effect a major deterrent to industrial development. Hence, during the course of the development of emulation between the factories of our trade, we insisted firmly on ideology taking the lead. First of all, we grasped and fostered the communist spirit of cooperation, avoided the capitalist way of competition, and encouraged the factories to bear the whole situation in mind and make more contributions to the development of our trade. We adopted the following principal measures:

First, we carried out positive educational work, repeatedly propagandized and played up communist ideology, and emphasized that the interests of socialist enterprises were basically identical. We drew a clear line of demarcation between socialist emulation and capitalist competition. We impressed on everybody that each and every technological success was the common property of the state and not privately owned. In short, we encouraged the units to make positive contributions to the development of our television trade.

Second, we grasped typical cases and endeavored to break through at a single point to reach and guide the whole. As soon as mutual help and mutual study started, we seized hold of north China and northeast China to serve as the



emulation trial areas. We then made the leading factory of the areas, the Beijing television factory, the focal point and encouraged it to make a good start. Forthwith, the Beijing factory, on its own initiative, introduced and revealed to its counterparts 10 of its latest experiences which it has not made known to the public before. This helped to open wide the "doors" of the factories in north China and northeast China. In turn, we used the typical cases in the areas to motivate Shanghai to follow suit and to open its "doors." This brought about a new upsurge in the campaign to foster mutual help and mutual study among factories of the entire trade.

Third, we used the communist demeanor of cooperation as the major criterion in appraising the performances of the factories in the emulation campaign. Through the democratic system of appraisal and selection, we granted awards for outstanding communist demeanor to those units which had scored notable successes in the mutual help and mutual study emulation campaign.

Fourth, we made the system of mutual help and mutual study benefit all the parties concerned. In signing the agreement for implementation of this system, we not only stressed the need to foster the communist style and spirit but also displayed concern over the economic benefits to both sides. Accordingly, some leeway was always provided to give some rational form of financial compensation to those units willing to part with, or reveal, their advanced experiences.

/2. Adopt practical and effective means to organize in a down-to-earth manner the system of mutual help and mutual study in order to ensure the timely promotion and adoption of advanced experiences./ In organizing the propagation and promotion of these experiences, we emphasized that the factories concerned must bear in mind their actual needs, make real efforts and desist from engaging in empty talk. Only in this way can the emulation between the factories become really attractive and lasting. The emulation between the factories may take one or more of the following forms:

First, organize a team of experts to go around different places to engage in mutual help and mutual study work. Toward the end of 1979, the emulation areas organized 86 experts to form mutual help and mutual study teams. They went deep into 45 factories to give lectures and to collect valuable experiences. They discovered and collected some 267 advanced experiences and concurrently offered some 204 recommendations to solve the existing problems of the factories. Some of the teams tackled the problem of the high cost of production on the part of some of the factories. They conducted a "collective diagnosis." Starting from production planning, production technique, supply of essential materials, management and operation, and so forth, they made a thorough examination of the causes leading to the high production cost and forthwith brought forward their suggestions for rectification and improvement. In 1981, 24 more experts were organized to proceed to Shanghai, chosen as the pivotal point, where they went into 22 factories to learn and to study and also to collect and to promote some 51 new technological results gained over the past year. Again in the same year, the north China and northeast China emulation areas dispatched one after the other two investigation units to Shanghai to learn and to study two special themes, namely, one on "general reliability" and the other on "management and operation," their mission was to take stock of Shanghai's experiences and, based on them, to recommend measures of improvement and rectification for

factories in the emulation areas. This made it possible to learn from the experiences of advanced localities and advanced units in a down-to-earth manner and reap very encouraging results.

Second, through conducting rotational investigation and study trips, the factories signed mutual help and mutual study contracts with one another on the basis of their own needs and their volition to band together and to link up with each other. The contracts clearly stated the objects of the mutual study, the factories' wishes and their respective obligations. Over the past 2 years, 474 contracts were signed and as a result a large batch of advanced experiences were rapidly promoted and put into effect. For example, the production assembly lines of the Beijing television factory and the Beijing Dongfeng television factory were found to have been economical and fit for introduction. As a result, over 20 units in the country signed contracts with these Beijing factories to learn from them. Of the 7 factories in the northeast, 6 copied and adopted the production assembly line system of the Beijing factories. They managed to raise their productivity by over 100 percent. Advanced units have their weak points whereas backward units also have their strong points. It is thus vital to promote mutual help and mutual study between them. During the emulation work, not only should small factories learn from the big ones and outside localities learn from Shanghai but also big factories should learn from the small ones and Shanghai from the outside localities. For example, the Shanghai No 18 wireless factory is one of the units in the whole trade rated to possess such merits as a large output, good-quality products, and low production cost. In one round of the campaign activities alone, 14 units signed a total of 22 contracts with the Shanghai plant. Conversely, the Shanghai plant learned from 6 other factories, signed 15 contracts with them, and derived worthwhile results. Moreover, in the mutual help and mutual study activities, the parties concerned not only signed help-and-study contracts involving only one phase of technology but also concluded general "factory-help-factory" agreements of a comprehensive nature. For example, the Shanghai No 4 wireless factory and the Shanghai No 18 wireless factory separately signed agreements with the Shaanxi wireless factory and the Dalian television factory providing for the systematic and bulk transplanting of the experiences of the advanced units in the sectors of production technique, dispatch and delivery of products, management and operation, and other phases.

Third, convene meetings on the exchange of experiences in specialized topics. Over the past 2 years, more than 20 discussion meetings have been organized on specialized topics such as planning of the inside core of the machines, welding technique, quality control, use of specialized tools, cost analysis, statistical work, and so on. In general, the participants welcomed these meetings and were deeply impressed by what they saw and heard. Additionally, short-term training classes were organized to help train up specialized personnel for the enterprises. The north China and northeast China emulation areas called a cost analysis meeting and invited the Shanghai No 18 wireless factory and the Gansu television factory to introduce to the meeting their experiences and to make on-the-spot sample demonstrations on the analysis of the production cost. After learning from the Shanghai No 18 wireless factory, the Zhangchun No 1 wireless factory succeeded in cutting down the per unit production cost by 56 yuan on the average.

Fourth, organizing a scientific and technological intelligence center and a statistics center which cover the whole trade, so as to transmit news on time, to open up intelligence channels, and to regularize the activities "comparing with and learning from the advanced units." By means of the scientific and technological intelligence center, a compilation of 147 selections of new techniques and new technological data was printed and, together with 15 issues of a new pamphlet, "short notes on technology," were sent to the various factories. In addition, supplementary reports were made from time to time on the progress of technological development. The statistics center organized a statistics transmission network covering the whole trade and reporting, every month or season, on the condition of the fulfillment of the various technological and economic targets of the factories and also analyzing their economic activities. This enabled the various factories to have timely information and data, to compare with the advanced levels of the trade, and to know what to learn and what targets to pursue. For example, in the Dandong television factory, originally the production cost was 423 yuan per set, but the factory made use of the statistics and reports of the whole trade as a "mirror" and shaped their measures every month accordingly. It succeeded in reducing the production cost to 266 yuan per unit and in this way joined the ranks of the advanced units. On learning of this development, the Shanghai No 18 wireless factory at once sent a team to the Dandong factory to study its experiences.

Fifth, concentrate the technical forces of the whole trade to jointly tackle the big and common problems. At present, the following joint programs are in progress: a program to tackle the problem of attaining the objective of products operating for 5,000 hours without a hitch, sponsored and organized by the Shanghai No 4 wireless factory and participated in by factories turning out whole machines and some factories producing the key and essential parts of the machines. A program to collect and sum up the superior points of imported production lines and of home-made lines, so as to supply data to the member factories for the technical restructuring and planning of their own production lines so that they conform to our national conditions and are of an advanced level, sponsored and organized by the Nanjing wireless factory and participated in by research workers selected from the technical personnel operating the production and assembly lines of eight factories. A program to collect and assess advanced technology for the purpose of formulating a sample production technique for the production of 12-inch televisions, sponsored by the Shanghai No 18 wireless factory. A program to jointly tackle the problems of the export of televisions, sponsored by the Beijing Dongfeng television factory and eight other factories, and so forth.

/3. Insisting on the mass line and on the methodology of everybody caring for everybody's business./ Emulation committees selected through a democratic process by the member factories are mainly responsible for the organization and leadership of the emulation between the factories of the television trade. Assisted and led by the upper-level organs and the trade unions, they assume the task of organizing the emulation activities of the whole trade. They are permanent organs but do not have under them any specialized structures or personnel who are separated from the production activities according to their needs, their decision and their violation and are assessed and completed by them, subject to guidance from the relevant departments. Facts have proven that the activities handled by the factories themselves conform to reality, are rich in creativeness, are prosecuted in a lively manner and exhibit a relatively

high organizational level. The state broadcasting and television trade bureau incorporates the emulation activities between the factories in its work plan but relies on the trade itself to carry them out. In this way, it fully displays our good tradition in industrial administration of combining centralized leadership with the mass line. The people call this procedure one which is "run by the people and assisted by the state." In so doing, the various emulation activities between the factories cannot only carry out the guideline and demands of the management departments but can also solve the vexing problem of the administrative and management departments wishing to do something but unable to do so at once. In other words, it serves as an important supplement to the usual practice of doing leadership work through the issuance of administrative directives. Since this procedure carries out the mass line, the factories truly feel that they are the masters of their own trade. It motivates them to fully display their sense of responsibility and their enthusiasm. Without relying on the masses but merely relying on the industrial administrative departments and the national trade unions alone, it is impossible to perform well the complicated organizational tasks of mutual help and mutual study and the exchange of techniques.

Actual practice over the past 2 years has amply shown that emulation between the factories of the television trade constitutes a road to fully demonstrating the superiority of the socialist system, to placing reliance on the collective strength of the trade, to tapping the trade's latent potentials, to upgrading the technological level in production of the enterprises and their management and operational level, and to achieving greater, faster, better and more economical results in developing the television trade. At present, the kinescope trade and the recorder trade have both absorbed the experiences of the television trade and have successively started emulation between factories within their own trades. The emulation of the kinescope trade has been in progress for over half a year and has already achieved initial successes.

CSO: 4006/457

## ECONOMIC MANAGEMENT

### BRIEFS

IRREGULARITIES OF HUBEI HOTELS--(Xinfu) Hotel, (Qianjin) Hotel and railway neighborhood residents' committee hotel in Xiangfan Municipality have not carried out business properly and have operated in violation of regulations. They are places where a small number of bad people carried out unlawful and criminal activities and jeopardized social order. The municipal people's government recently decided to suspend these three hotels for readjustment and instructed relevant departments to investigate and seriously deal with the problems. These three hotels were set up by suburban brigades and a neighborhood residents' committee respectively. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 25 May 82 HK]

CSO: 4006/461

## FINANCE AND BANKING

### PRC DELEGATES SPEAK ON WORLD ECONOMY IN HELSINKI

OW151636 Beijing XINHUA in English 1616 GMT 15 May 82

[Text] Helsinki, 14 May (XINHUA)--The meeting of the interim committee of the International Monetary Fund (IMF) and the meeting of the development committee of the International Bank for Reconstruction and Development (IBRD) took place here on 12-14 May.

The meetings mainly discussed the issues concerning the world economy situation, the IMF policy and the increase of International Development Association (IDA) quotas.

Prior to the meetings, group 24 of developing countries and group ten of developed countries met separately. They held that the world economy is facing a lot of difficulties, but the two groups had quite different views as to how to solve the problems.

A communique issued by group ten after its meeting said that the main task at present is to continue the battle against inflation and the tightened monetary policy. The group 24 meeting pointed out that the developed countries' monetary policy, high interest rates and protectionist measures have an "adverse impact" on developing countries. Therefore, it called for a change in the monetary policy of the developed countries, reduction in interest rates, a basic change in the international monetary system and increase in fund quotas. It was disclosed that the group 24 meeting criticized certain countries for being involved in sanctions against Argentina in the British-Argentine dispute over the Malvinas Islands.

Chinese Finance Minister Wang Bingqian said at the group 24 meeting, "the economies of the vast majority of developing countries, particularly in the monetary and financial field, have deteriorated further owing to the attempt by developed countries to shift the consequences of their economic difficulties onto the former." While stressing south-south cooperation, he emphatically pointed out that the developing countries should make joint efforts to "urge the major developed countries to do their duty and honour their commitments to promote the work of the international monetary and multilateral development institutions, and thus help to meet the urgent needs of the developing countries, especially the least developed countries, in covering their current account deficits and financing their development programmes."

At the interim committee meeting, China, France and nordic countries expressed support for the increase in quotas which was demanded by developing countries while the United States tried its best to block any substantial increase in international lending. The communique of the interim committee also considered it a primary task to fight inflation. Reporters at the meeting pointed out that the demand of developing countries "was brushed aside" by developed countries.

Addressing the interim committee meeting, Chinese delegation Shang Ming said an increase in the total amount of the quotas should be brought about mainly through a substantial general increase of quotas of the member countries. The share of the voting powers of the developing countries as a group in the total should be appropriately increased, he added.

At the development committee meeting, the ministers mainly discussed the IDA issue.

The Chinese Finance Minister Wang Bingqian said at the meeting, "IDA's current crisis stems from the failure of a major donor to honour its commitment by reducing its annual contribution under the IDA-6 replenishment agreement. This occurred at a critical juncture when developing countries were in dire need of IDA credits. The World Bank was compelled to make adjustments and cut back on its IDA lending programme for 1982. Adverse consequences resulted in delays of many projects in the pipeline of the countries affected, and this was a setback to their economic development."

According to an AFP report, the panel conceded that there was an "urgent need" for "adequate" flows of official assistance to developing countries, especially poorest ones. But the final statement offered no concrete solutions and the outcome of the talks was "disappointing."

CSO: 4020/131

## FINANCE AND BANKING

### HEDERBAI ADDRESSES FINANCIAL INSPECTION GROUP

HK200653 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 19 May 82

[Summary] "The regional leading group for checking on the financial affairs of enterprises held a meeting this morning to relay the guidelines of the state council documents on checking on the financial affairs of enterprises. It also made arrangements for the methods of doing a good job of the financial inspection work at the next stage."

"Hederbai, member of the standing committee of the regional CCP Committee, director of the regional financial commission and deputy group leader of the regional leading group for checking on the financial affairs of enterprises, spoke at the meeting."

He first of all talked about the importance of carrying out a great inspection of the financial affairs of enterprises. He said: All factories, mines, departments and bureaus should, on the basis of summing up the work in the previous stage, make a serious effort to do a good job of the work at the next stage in accordance with the requirements of the state council, the regional CCP Committee and the regional people's government. Great efforts should be made to bring the current inspection work to a temporary close by the end of June. With regard to the problem enterprises, it is necessary to do a thorough job of this work in the light of the reorganization of enterprises. There is no time limit for it and neither should we handle our work in the light of the reorganization of enterprises. There is no time limit for it and neither should we handle our work in a rigid way regardless of the actual conditions. During this inspection, it is necessary to make a basically thorough inspection of the existing problems in the enterprises and deal with them according to the state regulations. Money that should be handed in should be turned over to the higher authorities. It is also necessary to sum up lessons and set forth proposals for reorganization and reforms.

"The responsible comrades in charge of the financial work in various regional departments, bureaus, companies and key enterprises, accountants as well as relevant comrades in Urumqi attended the meeting today."

CSO: 4006/461



## FINANCE AND BANKING

### BRIEFS

LIAONING FINANCIAL CONSOLIDATION--Liaoning Province has made rapid progress in consolidating financial work in communes and brigades. According to statistics, 231 communes and 39,660 production brigades and teams across the province have consolidated their financial work. In general, they have taken stock of what they have had, improved management and raised economic results. As a result, they have withdrawn 50.44 million yuan of outstanding debts owed by commune members and 45 million yuan of debts owed by other units, recovered 8 million yuan of misused public funds and 529,000 yuan of dining, wining and reception allowances, and exposed the fact that over 1,023,000 yuan has been embezzled. They have also checked a number of erroneous and disorganized accounts. [SK060758 Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 3 May 82]

CSO: 4006/461

## INDUSTRY

### 'JINGJI GUANLI' ON SHAANXI LIGHT INDUSTRY

HK270815 Beijing JINGJI GUANLI in Chinese No 4, 15 Apr 82 pp 12-13

[Article by the policy research office of the Shaanxi Provincial CCP Committee: "What Type of Assistance Does Light Industry in Shaanxi Province Require From Heavy Industry?"]

[Text] In developing the production of consumer goods, it is necessary to seek assistance from heavy industrial departments. What type of assistance does light industry in Shaanxi Province require from heavy industry? Initial investigations showed that there is much to be done in this respect by heavy industry.

(I) It Must Supply the Urgently Needed Raw Materials That Are in Short Supply and Guarantee the Needs for the Development of Light Industry

With regard to the composition of the raw materials for light industry in Shaanxi Province, 55 percent of the raw materials that are consumed by the first light industrial system are supplied by agricultural and sideline production while the other 45 percent of the raw materials are supplied by industry. Such industrial raw materials as sheet steel, strip steel, tin, soda ash and concentrated sulphuric acid have always been in seriously short supply. The supply of No 15 round steel, No 35 strip steel and shaped steel that are urgently needed in the sewing machine industry is not guaranteed. About 90 percent of the raw materials that are needed in the second light industry system belong to the "goods and materials supplied according to the plans," yet more than 60 percent of the raw materials are not included in the plans and their supply is difficult. These materials include the urgently needed metallurgical raw materials such as sheet steel, galvanized iron, steel plates and high grade steel alloys while the urgently needed nonmetallic raw materials are even more and these materials include polyethylene, polypropylene, plasticizer, No 75 resin, scrubber agent, No 120 benzene, formic acid, phthalic acid, red alum, various dyestuffs, mono-benzene ethene, offset printing ink, moisture resisting oil, isopropyl alcohol and high pressure polyethylene.

## (II) It Must Supply Special Equipment to Promote Technical Reforms

One of the important reasons why the light industry in the province has failed to develop rapidly is that it is equipped with old equipment and its rate of mechanization is low. Take the situation of the clothing industry for example. Of the nearly 1,000 clothing industrial enterprises throughout the province, 85 percent are using sewing machines intended for family use; only 15 percent are using industrial sewing machines. The important processes in clothing production, such as cutting and sewing, are basically semimechanized while the other auxiliary processes such as hemming, holing and buttoning are done manually with very low productivity. Therefore the machines for these processes are urgently required. Following the popularization of birth control and the improvement in people's living standard. The requirement for embroidering machines, collar processing machines, decorative bordering machines and other machines that are needed in processing children wear, shirts and coats, will gradually increase.

In the sector of the food processing industry, our equipment and processes in brewing, and in dairy and meat processing are very backward. The equipment needed in the brewing industry such as overhead cranes, stirring machines, blowers, ball-type rotational evaporating containers, deep-layer vinegar producing containers, materials reserving containers and other special equipment; that equipment urgently needed in the dairy processing industry includes evaporators, heat exchangers, purifying machines, milk processing containers, concentrating containers and testing apparatus while those urgently needed in the abattoir industry include such equipment as low temperature refining equipment, reproducing equipment and cooking equipment.

The province's tannery industry is characterized by a low degree of special equipment and very backward production methods. This industry requires the machine-building industry to study and turn out stretching plates, drying machines, stretching and softening machines, scalding machines and other equipment that is needed in producing high quality leather, such as color spraying machines and border pressing machines. The shoe-making industry requires such equipment as stretching machines for various uses.

The backward situation in our packaging industry is yet to be basically improved. At present, our printing factories need such specialized equipment as TD 402 printing machines, RD 801 printing machines, Intaglio printing machines, letterpresses, offset presses, electro-aluminum pressing and printing machines, glazing machines, cutting machines, plastic laminating machines, large size plastic injecting machines, reticular plates for producing plates and camera lenses. In addition, paper box factories in general need oil printing machines and combination printing machines.

The furniture industry needs such equipment as plant cutting machines, reserved-energy welding machines, 400-ton beat processing machines, wooden plate lathes, riveting machines and automatic bending machines. The electric appliance industry is a newly emerging industry in our province and it urgently needs 80-ton double movement tensile machines, oven baked lacquer production lines and 100 to 150 ton die-casting machines, welding machines and hemming machines.

The plastic industry is a new industry in our province, with a weak foundation and backward equipment. There are more than 900 plastic processing machines across the province, but 60 percent of them were self-made or have been transformed, and have very low precision. The largest capacity plastic injection machines in the province are only 2,000 grams and the province urgently needs similar equipment with a capacity of more than 4,000 grams.

### (III) It Needs To Assist in Technology and Staff and Research Work

The technical strength of the provincial light industrial system is weak while the technicians of the first light industrial system are mainly concentrated in the wristwatch and sewing machine industries. The second light industrial system has a serious shortage of technicians. The statistics compiled in July 1981 of 820-plus second light industrial enterprises above prefectural level showed that the technicians of these enterprises only made up 0.49 percent of the total staff. A total of 593 enterprises did not have a single technician and these enterprises made up 71.4 percent of the total. This does not even take into account the technical level of the technicians, specialisation in complete sets of equipment and the distribution of industry. At present, the first light industrial system urgently needs specialized technicians for designing and manufacturing various equipment for smelting, flattening, heat treating, electroplating, oven baking lacquer, electrification, paper making, chemical analysis and producing silicate. The second light industrial system needs even more technicians to meet various requirements; the clothing industry needs equipment maintenance workers; the tanning industry urgently needs machinery, electrical, chemical industry and management technicians; the wooden furniture industry needs machine, moulding and designing and manufacturing technicians and workers while the metal printing plants and plastic plants in the packaging industry need staff for the design and manufacture of moulds.

The only way to develop the production of consumer goods is to carry out scientific research. At present, the light industrial system in the province needs the following items from heavy industrial departments for research work.

First, new materials. In order to solve the problem of raw materials for making the needles for high-speed packaging and sewing machines, the sewing machine industry in the province hoped that the metallurgical departments would help study and produce a new type of steel that is characterized by resistance to wear, easiness to process and little deformation following heat treatment. In order to produce heavy-duty bicycles to meet the needs in the broad market in rural areas, the bicycle industry is planning to study and produce new type of steels with high tensile strength and good flexibility. The clock and watch industry demanded a readjust in the alloy mix of hairsprings so as to improve the characteristics of the hairsprings made by our country and ensure that the watches we make will be able to run stably for a long period. The battery industry needs help in studying high molecular synthetic raw materials so as to improve the leakage prevention capability of our batteries and solve the problem of decreasing electrical capacity. The printing industry hoped that the departments concerned would study, produce and supply high quality but low-priced coated paper. In order to solve the difficulties in the supply of timber, the tanning industry demanded the study and production of a new type of raw materials to replace Korean pine that is used in rotational drums.

Second, new equipment. The Abattoir industry has demanded that its working conditions, that are characterized by "dirt, bad smells and fatigue," be changed and consequently it urgently needs such equipment as pork dissecting machines, pig's heads shearing machines, pig's trotters shearing machines, intestine washing machines and a machine for turning intestine inside out. The packaging machine industry hoped to be able to produce 5 kinds of easily operated machines for processing granulated sugar, biscuits and flour. The furniture industry, packaging industry and watch industry also need such equipment as tube-bending machines for steel furniture, printing-folding machines for note paper and automatic lathes for processing clocks and watches.

Third, new processes and technology. The bicycle industry demanded to be helped in carrying out the study of how to improve the quality of the three main links of technology such as electroplating, oven-baked lacquer and welding. The sewing machine industry demanded the study of the following items: dynamic testing of the process of grinding and blow-coating of the heads of sewing machines. The furniture industry demanded to be helped in studying the processing technology of painting and then installing and the technology for drying high-quality timber economically and with less energy. The packaging industry demanded to be helped in the study of how to improve the sealing properties of lacquer drums. The home appliance industry demanded the study of many items; with regard to washing machines, it mainly demanded the study the shape of the containers, cleanliness in washing, the rate of wear and tear and mechanical parameters. With regard to electric fans, it was demanded to study such subjects as low-voltage starting, moisture insulating capacity, the best blades and the materials for the blades. With regard to refrigerators, it was demanded to study such problems as blocking up of pipelines due to freezing, leakage and how to decrease noise.

#### (IV) It Must Do A Good Job in Coordinating the Production of Light Industrial Consumer Goods

At present, the provincial light industrial departments are carrying out coordination in the following aspects. First, coordinating the supply of raw materials. For example, the Xian No 1 sewing machine part factory needed drawing steels and it hoped that the metallurgical departments would help transform the system with regard to steel and produce steel to their specifications. Second, coordinating spare parts. The clock and watch industry hoped that the heavy industrial departments would produce and supply electronic elements. In the sewing machine industry, it was demanded that the reproduction of the four kinds of key parts of kernel caps, pendulum shuttles, upper bearings and pig-iron parts must be expanded as soon as possible. The home appliance industry needs 80201-specification bearings for washing machines. Paper box factories hoped that the machine-building industry would be able to help process such parts as gears, gear springs and cams. Fourth, coordination in auxiliary production. The Shaanxi Watch Company which is studying the production of ladies' watches, hoped that heavy industrial departments would be able to supply small module molds.

CSO: 4006/457

## INDUSTRY

### BRIEFS

HEILONGJIANG OIL PROCESSING PLANT--After a 2-year construction period, a modern oil processing plant with a daily capacity of 30 tons was put into production on 11 May in Qiqihar Municipality, Heilongjiang Province. Petroleum supplied for Qiqihar Municipality will be guaranteed. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 11 May 82 SK]

CSO: 4013/74

## CONSTRUCTION

### XU JIATUN ON CONSTRUCTION OF SMALL CITIES, TOWNS

OW110530 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 10 May 82

[Text] In the fourth part of his report delivered to the second Jiangsu Provincial Urban Work Meeting, Comrade Xu Jiatun, first secretary of the Jiangsu Provincial CCP Committee, called for doing well in the construction of small cities and townships and bringing into full play the role of small cities and townships as the tie linking the urban economy to the economy in the countryside.

Comrade Xu Jiatun said: We must fully understand the position and role of small cities and townships in the four modernizations and their favorable conditions in terms of locality, communications and transport, culture and education, and technical force. Small cities and towns are situated between cities and the countryside and play the important role of a bridge in the circulation and interflow of commodities between cities and the countryside. Small cities and townships have good conditions for developing farm and sideline product processing industry, handicraft industry, collectively-run commerce, service trades and other trades which call for a large amount of labor. There arrangements can be made for the placement of a large number of local unemployed people and the surplus labor force in rural areas. There are more scientific and technical installations, and cultural, educational and public health facilities in small cities and townships which can help develop spiritual civilization in rural areas, disseminate scientific and technical knowledge and promote interflow of techniques. Therefore, we must actively develop small cities and townships and bring the role of small cities and townships into full play so that they can become centers in politics, economy, culture and service for living; ties linking large and medium-sized cities to the vast rural areas; and forward bases for changing the features of rural areas and building a new socialist rural area.

Comrade Xu Jiatun said: All party committees must include the work of small cities and townships in their important agendas, strengthen leadership according to the characteristics of small cities and townships, mobilize all departments and units to support the work of small cities and townships, and work in full cooperation and coordination to promote the construction of small cities and townships.

Comrade Xu Jiatun pointed out: To promote the construction of small cities and townships, it is necessary to draw up a scientific and rational plan to



serve as a short-term basis and a long-range goal for our projects. While drawing up the plan, we must not only take into consideration production and residents living in townships, but also the offering of services for agricultural and sideline production and the people's livelihood in the rural area around the townships. It is necessary to orient the layout of small cities and townships to the rural area and form a radius of service.

Comrade Xu Jiatun said: To speed up the construction of small cities and townships, it is necessary to first develop the economy. It is necessary to develop enterprises under collective ownership, particularly farm, sideline and the special local product processing industry, building material industry and traditional handicraft industry. This can open avenues for employment of a large number of workers and produce funds for the construction of townships. Secondly, it is necessary to develop cultural and educational facilities and bring the role of small cities and townships into full play as cultural centers to satisfy the masses' need for cultural life. Thirdly, it is necessary to develop commerce, service trades and repair trades to meet local people's needs.

Comrade Xu Jiatun said: If we can further promote the construction of small cities and townships in production, transportation, culture, education, commerce and service trades, we can attract more intellectuals and workers from large and medium-sized cities to settle down in small cities and townships and engage in construction work and social activities.

CSO: 4006/461

## CONSTRUCTION

### XU JIATUN ADDRESSES JIANGSU URBAN WORK MEETING

OW191101 Nanjing XINHUA RIBAO in Chinese 9 May 82 p 1

[Text] Addressing the second provincial urban work meeting, Comrade Xu Jiatun said: In urban construction, we should make a big change in our guiding ideology, clearly define the orientation of urban development and draw up a sound plan for this work. Through persistent and unremitting efforts, we should build our cities into socialist modern cities which are highly civilized and democratic with a thriving economy and well-developed culture. These cities should be technologically advanced, reasonably distributed, beautiful and neat with every convenience for the people's daily life. While characterized by harmonious development of economic and social conditions and science and technology, they each should have their own salient features.

He said: On the eve of the nation's liberation, our party stated that in cities "the central task was to mobilize all forces to resume and develop production, and that this was of key importance to all our work." As proved by practice, this was absolutely necessary at that time; it was a correct principle. In implementing this principle, we scored considerable achievements, thereby laying a sound material foundation for our socialist construction. Reviewing what we have done, however, we can see that we can certainly learn some profound experience and lessons from our past work. The most striking problem was that we had a onesided view with regard to the aforementioned principle, for we only narrowly understood the concept of production. In particular, under the influence of the "left" ideology, we more often than not put stress on industrial production at the expense of developing production and construction in other fields and developing various social undertakings. We failed to see the question of how to ensure proportionate and harmonious development of urban economic construction and the various social undertakings in cities. That is, we did not attach due importance to the development of various social undertakings. For this reason, numerous problems accumulated in municipal construction, public utilities, environmental protection, service networks, people's housing and the development of science and technology, education, culture and public health, resulting in serious imbalance of the work in various fields in the cities. After the smashing of the "gang of four," especially since the 3d plenary session of the 11th CCP Central Committee, we have done a great deal of work and achieved fairly good results in straightening the guiding ideology for urban construction, in improving municipal facilities and in quickening the pace in housing construction. Now, while making continued efforts to pro-

mote industrial production, we should develop various other urban projects in a proper and proportionate way according to our plans.

Comrade Xu Jiatun said: The cities must grasp industrial production. In our province, each and every city and town must strive to increase industrial production and enliven its economy as a material foundation for the construction of various urban projects and the improvement of the people's living standard. However, as past practice indicates, while promoting industrial production, we must take the development of commerce and service trade as equally important component parts of our social production work. Unless we pay attention to this, the "difficult" problems confronting the masses, such as the difficulty in having their clothes made and having their old appliances repaired, will still be hard to resolve.

Further elaborating on the subject, he said: Our onesidedness in the past lay in that we regarded "production" as merely industrial production, and that we lacked an overall concept of economic construction. What we should do now is to include the promotion of municipal construction, the acceleration of housing construction and the continuous improvement of the people's livelihood as component parts of urban production and do our best in these tasks. Building municipal facilities and houses, in itself, is a production task; it is a construction project. In addition, we should pay attention to and work on the development of intellectual resources as an urban construction project closely related to production.

Jiangsu has favorable conditions; it has a relatively good foundation of science and cultural education, especially in cities along the Shanghai-Nanjing railway. We should give full play to this favorable condition and use the urban manpower to go all out to develop science and technology as well as cultural education. We should do this seriously by taking it as an investment in training intellectuals. This is a matter of strategic importance not only to the development of our present economy as a whole but also to our work of promoting material and spiritual civilization and to our far-reaching interests. Unless we grasp this in doing our urban work, we will make a historical mistake. In Jiangsu, we should take the development of tourism for travelers at home and from abroad as another production and construction project and make a conscientious effort to grasp it. In addition, we should never relax our efforts in developing vegetable production in the suburbs of cities.

Comrade Xu Jiatun continued: On the whole, we should do our best to sum up experience and draw lessons from the past. With regard to the guiding ideology for urban construction, we should change the idea of onesidedly stressing industrial production and should properly handle the relationship of industrial production with production in all other fields and with social development as a whole. This, we may say, is a radical change in the guiding ideology.

He said: In developing the economy and the various social undertakings, we should continue to carry forward the relatively successful experiences we have gained in the past; that is, we should devote our main efforts to the development of processing industry, service trade, small and medium-sized enterprises and collective undertakings and to the tapping of potentials "inside" the

existing enterprises. In addition, in carrying out the principle of "closing down or merging enterprises, converting them to produce other products or having them engage in joint production projects," we should put emphasis mainly on switching to production of other products and on joint production projects. Under unified planning and leadership, every city should strive to develop its industrial production and raise its economic and social construction as a whole to a new level.

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## CONSTRUCTION

### BRIEFS

RESERVOIR INSPECTED--According to TIANJIN RIBAO, on 12 May responsible comrades of the Tianjin Municipal CCP Committee, people's congress standing committee and government including Chen Weida, Hu Qili, Wang Enhui and Li Ruihuan inspected the Panjiakou reservoir, a key project in the scheme to bring water from the Luan River to Tianjin. A responsible comrade of a PLA capital construction corps unit undertaking the project told them of the progress of work. The municipal leaders praised the PLA personnel for their hard work in solving Tianjin's water problem. [Summary] [HK200359 Tianjin City Service in Mandarin 2330 GMT 13 May 82]

XINJIANG HOUSING CONDITIONS IMPROVE--Over the past 3 years, the housing conditions of staff and workers in 8 cities, namely Urumqi, Yining, Kashi, Karamay, Shihezi, Qitai, Hami and Korla, in Xinjiang region have improved. The average housing area for each staff member or worker in these places was 3.6 square meters in 1979 and 4.36 square meters by the end of 1981, which is larger than the national average housing area for each staff member or worker. From 1979 to 1981, the region invested some 397.8 million yuan in housing for staff members and workers in urban areas and completed houses on some 2.43 million square meters of land. The average housing area for each staff member or worker in Yining Municipality was 4.1 square meters in 1979 and 5.5 square meters by the end of 1981. [HK200755 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 11 May 82]

HENAN CAPITAL CONSTRUCTION--Since the beginning of this year, the capital construction front in Henan Province has shortened construction periods and strived to raise economic returns. From January to April, the province invested 321 million yuan in capital construction projects and this investment was 19.3 percent more than in the corresponding period of last year. Of these projects, the floor area of residential houses under construction was 1.9 million square meters, 21.3 percent more than in the same period of last year. The floor area of those residential houses completed was 158,000 square meters, 46 percent more than in the same period of last year. [Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 13 May 82]

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## FOREIGN TRADE

### SHAANXI PROVINCE INCREASES EXPORTS IN 1981

Xian SHAANXI RIBAO in Chinese 21 Jan 82 p 1

[Article by Qin Mao [4440 5399]: "Our Province's Continuous Growth in Foreign Trade"]

[Text] Last year, our province achieved further good results in foreign trade after having gained increases on a large scale for 3 consecutive years. Up to the end of last year, the total value of goods purchased for export reached 545.31 million yuan, surpassing our province's annual plan by 6 percent and showing an increase of 5.97 percent as compared with that of the previous year. The amount of exports handled directly by our province were valued at \$23.8 million, surpassing our annual plan by 27.68 percent, and showing an increase of 1.5 times over that of the previous year. The number of patterns and the variety of export commodities increased from 77 the previous year to more than 120. The selling markets have extended from 8 to 27 countries and regions.

Last year, our province's foreign trade departments at all levels carried out conscientiously the policy that foreign trade should serve the readjustment of national economy, and paid special attention to their work mainly in the following four fields: 1) Vigorous support was given to the development of agriculture and multiple undertakings, and the sources of goods for export were organized in a positive way. According to incomplete statistics, last year the foreign trade departments subsidized people's communes and their members with Renminbi 12.32 million yuan through imported wheat and improved varieties [of rice], which were provided to them either as a bonus or in exchange for farm produce and sideline products; promoted the development of production; and increased the purchase of goods for export. The province purchased 8,312 tons of buckwheat, which was an all-time high. The annual plan for the purchase of wool was fulfilled 5 months ahead of schedule. 2) The superiority of our province's textile industry was brought into full play, the textile industry was supported in tapping potential and in innovation and renovation, and imports were actively used to help exports. Our province took various measures to explore markets for machinery and electric and chemical products, increase production and expand the scope of exports. Since the beginning of last year, the foreign trade departments have signed 19 contracts with foreign merchants for processing polyester

yarn and interwoven silk and wool textiles and for the compensation trade of perforated satin embroidery and automobile parts, increased exports by 7.57 million yuan, and gained 850,000 yuan in additional revenue. 3) Products were advertised in foreign countries, more channels were opened, and sales abroad were promoted. Last year, the foreign trade departments invited 200 foreign merchants to visit Shaanxi and hold trade talks; transactions were concluded which constituted one-third of the province's total volume of business in foreign trade. 4) Management was improved and economic accounting was strengthened; losses were reduced and profits improved. The foreign trade departments at all levels also took effective measures to improve the packaging and decoration of goods for export, arranged rationally the transportation of exports, and reduced expenses by 0.32 percent over that of the original plan. They accelerated the circulation of funds by a quarter of a cycle as planned, reduced the cost of getting foreign exchange in return, and increased the amount of profit handed over to the state by 2.76 times over that of the annual plan. It was the most profitable year for our province to export goods directly to foreign countries in recent years.

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## FOREIGN TRADE

### GROWTH OF SHENZHEN SPECIAL ECONOMIC ZONE DESCRIBED

Guangzhou YANGCHENG WANBAO in Chinese 12 Feb 82 p 1

[Article by He Yunhua [0149 0061 5478] and Wang Zhenhua [3076 2182 5478], NCNA reporters in the Shenzhen Special Zone, and Cheng Kai, staff reporter in the Shenzhen Special Zone: "The Rapid Growth of the Shenzhen Special Economic Zone"]

[Text] The Shenzhen Special Economic Zone has actively forged links with the interior, strengthened its ability to draw funds from abroad, and accelerated the pace of construction in the zone. Last year, the special economic zone achieved an investment of more than 140 million yuan in capital construction, and completed the work of construction on an area of more than 450,000 square meters, equal to the total of the previous 3 years.

#### Energetic Support from Various Places in the Country

The original economic foundation of the Shenzhen Special Zone was very weak. For more than 2 years, various central departments and all localities gave the special zone energetic support with personnel and technology. According to its requirements for construction, the special zone allied itself with the planning forces of various places throughout the country; organized a united planning corporation with the State Capital Construction Commission, the Ministry of Metallurgical Industry, the Ministry of Railways, the Ministry of Communications, the construction engineering army units and other departments as well as more than 60 units of some interior provinces and municipalities and more than 200 engineering and technical personnel; formed a construction industrial company with a working force of more than 30,000 people from various places in the country; and solved difficulties regarding the lack of personnel and the shortage of technical force for the zone's construction planning, geological survey, engineering designing and urban construction. By means of this alliance, the special economic zone established its logistics base for the engineering work of construction, including pipe-making, prefabricating components, quarrying, reinforcing bar processing, construction machinery maintenance, cement mixing, work quality testing, and renting special machines and tools for use in the work of construction, and laid down a foundation to transform gradually the construction industry into factory production. The special zone has brought the speed of construction

up to an advanced level in the country. At present, in the construction of high buildings, the common pace of completing the earthwork for one story is 7 or 8 days. Up to the end of last year, the Shenzhen Special Zone had worked in coordination with interior departments to undertake 18 industrial projects. The total amount of investments reached more than 50 million yuan.

#### Increasingly Greater Attraction to Foreign Investments

The fact that the special zone has forged ties with the interior provides foreign investments with a vast field of operation and favorable conditions for doing business, and attracts investors. In a little over 2 years, the number of projects involving foreign investment has reached more than 980, and the amount of planned investments has reached more than 7.7 billion Hong Kong dollars. In the early period, most investors were middle-class and small merchants who sent in raw material for processing or assembling. Now, large and medium-sized financial groups have invested huge sums and are participating in the construction and development of stretches of land and in setting up a number of large enterprises with advanced technical equipment. For instance, in the past 2 years the special zone has built an electronics industry of considerable scale and with certain capabilities of production and assembling. At present, electronics factories in operation such as Xinhua, Aihua, Jinghua, Huajiang and Shahe have signed contracts with foreign merchants to assemble television sets, radio cassette recorders, electronic watches and household electric appliances. Last year, the amount of their sales for export reached 90 million U.S. dollars. Last year, the Shekou Industrial Zone had built enterprises with foreign investments for building construction machinery, ship painting and making oxygen and started formal operation. This year, this industrial zone has another dozen enterprises to be completed for operation. In the Shenzhen Special Zone, the New Nanxin Dyeworks, financed and managed solely by a Hong Kong merchant, was completed for test operation at the end of last year. This dyeworks can handle more than 60 million meters of gray cloth each year. In addition, a number of enterprises have also started operation, including those for color printing, making furniture, making leather goods, making plastic articles, making drinks and foods, making textile goods, and making hardware.

#### An Increasingly Prosperous Market in the Special Zone

At present, to meet the needs of the special economic zone which has been opened to foreign visitors and to cope with the rapidly rising standard of consumers in the zone, such places as Beijing, Shanghai, Tianjin, Nanjing, Guangzhou, Liaoning, Jilin, Fujian and Hubei have joined the Shenzhen Special Zone in setting up various commercial stores with their local distinguishing features and retail departments for displaying and selling local products. For instance, many stores have opened for business, including Shanghai stores selling dresses in the latest fashion, lamps and lanterns, hardware and electrical equipment; Jilin restaurants serving northern dishes; and stores selling Beijing handicraft articles, Nanjing furniture and Fujian lacquerware and carvings. Famous stores such as the Guangzhou Panqi Restaurant, the Beijing Roast Duck Store and the Guangzhou Zhimeizhai, one of the four large sauce and pickle shops in the country, have also opened branches in the urban area of the Shenzhen Special Zone, so that there is an increasingly prosperous market in the special economic zone.

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## FOREIGN TRADE

### BRIEFS

GUANGXI CEMENT PLANT--According to the Guangxi regional import and export committee, Liuzhou Cement Plant in Guangxi region is cooperating with Denmark to expand a project which will be capable of producing 1 million tons of cement per year. They have recently reached an agreement which provides that, in the form of compensation trade, export credit of Copenhagen Commercial Bank of Denmark will be used to import the advanced cement production techniques and equipment of the Danish Smith Company. Some 200 million yuan will be invested in this project. The region will use \$37 million of Danish capital. This project will be completed by the end of 1985 and put into operation in Spring 1986. Smith Company will entrust a Swiss company to sell 300,000 tons of cement and 400,000 tons of cement will be used to pay back the capital and interests of the Danish loan. Foreign trade departments in this region will export 300,000 tons of cement and 400,000 tons of cement will be sold at home. [Nanning Guangxi Regional Service in Mandarin 1100 GMT 20 May 82 HK]

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## LABOR AND WAGES

### JIANGSU'S XU JIATUN ON WORKERS' ROLE, LEADERSHIP

OW132146 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 12 May 82

[Text] The seventh part of the report by Comrade Xu Jiatun, first secretary of the Jiangsu Provincial CCP Committee, at the second provincial urban work meeting dealt with the topic: Rely wholeheartedly on the working class; give play to its role as a main force in the four modernizations drive. The eighth part of his report is entitled: Adapt to the requirements of the new situation; strengthen and improve leadership over urban work.

Comrade Xu Jiatun said: In doing a good job in urban construction and in other fields of work, we should know on whom to rely. After discussing the historical position of China's working class and its historical contributions under the leadership of the CCP, he pointed out that the historical mission of the working class is the realization of communism. Its present task is to bring about a new situation in the four modernizations drive. The working class is the pioneer of revolution and the vanguard in creating material wealth and building a spiritual civilization. Therefore, it is the basic force on which all fronts, including the urban construction front, should rely.

Comrade Xu Jiatun pointed out: In carrying out the four modernization program and in urban construction we must uphold the mass line, give full scope to democracy, respect the pioneering spirit of staff members and workers and give full play to the role of the working class as the main force. Factories, mines and other enterprises should set up and improve, step by step, the system of workers' congresses under the leadership of party committees in order to allow workers to participate in managing enterprises. Important issues in factories, mines and enterprises should be discussed by staff members and workers, whose opinions should be respected. Certain important matters must be decided by workers' congresses. The industrial, communications, finance and trade fronts should launch a socialist labor emulation campaign to learn from and catch up with the advanced in order to give full play to the vanguard and exemplary role of advanced workers.

Comrade Xu Jiatun said: We must adapt to the requirements of the new situation and strengthen and improve our leadership over urban construction work. Urban party committees and governments, entrusted by the working class, are responsible for building modern cities and towns. To adapt to the requirements of the new situation, they should first strengthen themselves, overcome laxity

and weakness in leadership and pull themselves from the state of inertia. In this respect, a very urgent task is to strengthen and improve the leading bodies at all levels so that the ranks of leading cadres will become revolutionized, better educated, more competent and younger. This task should be carried out in a better and faster way in urban areas. Efforts should be made to achieve sound progress in this respect this year. In carrying out this task, we must, of course, eliminate the interference from factionalism and uphold both moral character and competence in promoting young and middle-aged cadres. We must also pay attention to raising the political quality of the cadre ranks and to gradually changing their composition.

Touching on the question of work style, Comrade Xu Jiatun said: We are confronted with a profound and complex change in the new historical period, with new problems emerging one after another. This requires us to continually study the new situation, solve the new problems and discover new methods. We must strengthen theoretical study and investigations, uphold the correct ideological line, improve leadership style and method, sum up experiences in the course of practice and bring about new creations and progress in our work year by year.

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## GENERAL

### PRUDENT POLICY IN IMPORTING ECONOMIC THEORIES URGED

Shanghai WEN HUI BAO in Chinese 26 Feb 82 p 3

[Article by Jiang Xuemo [5592 1331 2875]: "Be Careful in Importing Theories"]

[Text] To carry out successfully our socialist modernization, we must import not only technology but also "theories." By "theories," we mean economic theories in this case. At present, we frequently use such economic terms as the "economic pattern," "macroeconomy," "microeconomy," "economic policy," "gross national product" and the "third estate," which are all imported "foreign goods."

Imported economic theories have come from two sources: first, the socialist countries, such as the theories and plans of the planned management pattern of socialist national economy; and second, the developed capitalist countries. We should study and understand all economic theories of foreign countries. However, we must be very careful in "importing" and applying these theories; we must analyze them discriminately to differentiate one from the other.

Economics in capitalist countries may be roughly divided into the following three categories:

1. Applied economics, such as accounting, statistics, commodities, and economic technical sciences related purely to the rational organization of productive forces in enterprise management and economic management, such as value engineering, system engineering, and the theory of input and output. Generally speaking, economics of this category are linked only to socialized production on a large scale or to commodity relations. In these subjects, the developed capitalist countries are far more mature than we are, and we should learn from them.

2. Departmental economics, such as public finance, banking, industrial economy, agricultural economy, trade economy, tourism economy and so forth. Economic subjects in this category are linked not only to socialized production on a large scale and commodity and currency relations but also to a certain social economic system. We should carefully study these bourgeois departmental economics to distinguish between those which reflect the needs of socialized production and commodity and currency relations, for our

reference and use, and those which reflect the needs of the capitalist economic system that we must reject.

3. Theoretical economics, that is, various schools of bourgeois political economy. Bourgeois political economy reflects capitalist economic relations, speaks in favor of the capitalist system, and serves the interests of the bourgeoisie. The more "modernized" the bourgeois theoretical economics, the less its scientific component. Of contemporary bourgeois political economy, whether the Austrian school, the Cambridge school, the doctrine of Keynes, new liberalism or others, as far as their theoretical systems are concerned, they all speak in favor of the system of monopoly capitalism and suggest ways and means for the monopoly capitalist class. Not only are they entirely useless to our socialist economy, but also they cannot explain scientifically the current movement of capitalist economy. We should criticize economic theories of this category as a whole, and repudiate them totally. Moreover, we should not use freely terms used currently in capitalist economy, and should analyze all economic terms and concepts to differentiate one from the other.

Some concepts reflect only a certain economic phenomenon or economic process of socialized production and commodity production, such as macroeconomy, microeconomy, economic policy, market mechanism and so forth. Economic concepts of this category can be used to analyze capitalist economy and also socialist economy. Naturally we may adopt them.

Some economic concepts, such as the "gross national product" and the first, second and third estates, are used to reflect socialized production and commodity and currency relations; they were established according to theories of bourgeois vulgar economics. For example, the two sectors, the gross national product and the third estate, both involve understanding and calculation of national income; the connotation and method of calculation of national income in bourgeois vulgar economies are incompatible with Marxist theories on labor and value and on production and labor. Therefore, we must apply economic concepts of this category only under certain conditions. For instance, when we analyze the socialist economy in comparison with the economic situation of the capitalist countries, we can use these concepts just for reference. However, it would be improper for us to take them as a scientific category and use them to reform our economic statistics and to classify our economic departments.

Some economic concepts, such as those of marginal productivity and balanced value, are used especially to reflect bourgeois vulgar economic views, and we cannot use them to analyze socialist economy. Also, such concepts as benign circle and vicious circle are used by bourgeois vulgar economics as an apology to cover up cyclical economic crises of capitalism. Although our socialist economy has also turned from side to side in the course of development, this was caused by our faults in making subjective policy decisions. According to the nature of the socialist economic system, a continuous and stable growth could be assured, there would be no production cycles of "crisis-depression-recovery-prosperity-crisis," which bourgeois vulgar economists call "commercial cycles." Thus, such concepts as benign circle



and vicious circle are not suitable for use in analyzing the movement of the socialist economy.

On the basis of our present attitude toward bourgeois economics, it may be seen that not only do we fail to deal carefully with each case on its merits in using economic concepts and use them too indiscriminately, but also we often introduce and use bourgeois economic theories uncritically. For instance, some newspapers and magazines have translated passages from contemporary works of bourgeois vulgar economics continuously and without criticism, and have introduced them as new knowledge. Some comrades have used the theory of balanced value and the theory of marginal productivity of bourgeois vulgar economics to draw up plans for the reform of our economic system. There have been even more instances when people used Ricardo's theory of comparative cost of production without making any analysis or criticism to discuss problems in the foreign trade of our country. Of course, Ricardo was different from bourgeois vulgar economists. His theory of the comparative cost of production contains scientific components. It plays a certain role in analysis of the superiority of our foreign trade. However, it serves the policy of free trade of advanced capitalist countries. Naturally, we cannot simply use this theory to direct the course of our foreign trade.

In short, on the question of "importing economic theories," on the one hand, we should correct our "leftist" mistakes of denying all foreign experiences and theories in economic fields; and, on the other hand, we should take great care in learning from the experiences of other socialist countries and in dealing with the economic theories of capitalist countries, by making analyses and criticism, and by differentiating one from the other. (The author is a professor of Fudan University)

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## GENERAL

### JIANGSU'S XU JIATUN ON URBAN PROBLEMS, IDEOLOGY

OWL22202 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 11 May 82

[Text] The fifth part of the report by Comrade Xu Jiatun, first secretary of the Jiangsu Provincial CCP Committee, at the second provincial urban work meeting dealt with the following topic: Continue to solve the problems of filth, chaos, poor service and overcrowding and bring about general improvements in urban management work. The sixth part of his report stressed strengthening ideological and political work and building a highly developed spiritual civilization.

Comrade Xu Jiatun said that the basic objective of urban management is to better serve economic construction and the people's livelihood and to further develop political stability and unity. At present, we should continue to concentrate our efforts on solving the problems in urban management of filth, chaos, poor service and overcrowding. The major tasks are improving environmental sanitation, public order and service quality, gradually repairing and installing more public utilities and making full use of existing facilities to increase industrial capacity. To solve the problems of filth, chaos, poor service and overcrowding it is necessary to combine ideological education with the corresponding codes of conduct and disciplinary actions. The achievements made in launching the mass movement on five stresses, four beauties should be consolidated by perfecting the relevant systems and formulating regulations.

In his report, Comrade Xu Jiatun stressed strengthening ideological and political work and building a highly developed spiritual civilization. He said: Large-and medium-sized cities and smaller towns are specific areas that serve as centers for building the material civilization. They are also major areas for building the spiritual civilization. Success in building spiritual civilization in urban areas will serve as an example and as an impetus for the whole society. We should regard building spiritual civilization as an important task in the historical period, persist in this work for a long time and achieve good results.

It is necessary to make communist ideological education the primary task and to insist on the primacy of ideological education. In the current practical activities it is necessary to seize every opportunity to educate the people, instill the communist spirit in them and help them foster communist faith so that they will consciously uphold the four basic principles and firmly keep to the correct political orientation.

It is necessary to conduct education in vocational ethics according to the different vocational characteristic and to formulate codes of vocational ethics so that communist morality will take on a concrete form. It is necessary to take age and sex into consideration while conducting moral education on principles for living social lives and on marriage and family life in order to influence the people's thoughts and emotions, their moral quality and their overall spiritual outlook. The movement on five stresses, four beauties is an important element of communist ideology and moral education. All localities should continue to earnestly carry out this work in order to make it a constant practice and turn it into an institution. They should strive to create a new social atmosphere characterized by civility and courtesy.

Comrade Xu Jiatun also said: Since the beginning of this year, in order to effectively promote the building of socialist material and spiritual civilization, the party central committee has issued instructions and decisions that call on the whole nation to gradually unfold the struggle against serious criminal activities in the economic field. This is a struggle waged among CCP members and state functionaries. It is designed to uphold communist purity and oppose corruption and degeneration. It is an important manifestation of class struggle in the economic field under the new historical conditions in China's socialist society. It concerns the success or failure of China's socialist modernization program as well as the prosperity or decline of our party and state. Party committees at all levels should consider this struggle an important task for this year and for many years to come and exercise direct leadership to ensure success in this struggle.

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ORG: None

TITLE: "On Economic Development Strategies"

SOURCE: Taiyuan JISHU JINGJI YU GUANLI YANJIU [RESEARCH ON THE ECONOMICS AND MANAGEMENT OF TECHNOLOGY] in Chinese No 1, 31 Mar 82 pp 1-7

ABSTRACT: Some comrades believe the determination of strategy is the business of those who decide on policies and no one else needs to understand strategic problems. The author believes that those whose job it is to execute policy must express their opinions according to the experience gained from the practice to promote socialist democracy, to propose new problems, to investigate new formulas, and to cause their suggestions to reach those levels of policy decision makers so that the economic development strategies may be further perfected and certain important mistakes may be avoided or corrected. In order to arrive at correct strategies of economic development, the general problems to be considered include: an estimate of the economic situation, including the international and the domestic economic situations, the method of using sufficient scientific data to analyze the natural and the economic conditions, the choice among various targets for economic and strategic development, and the feasibility of an assemblage of technical and economic policies. Beyond these general problems, there are also some specific problems related to the period of economic readjustment. These include the method of handling the relationship between consumption and accumulation, the method of dealing with the

[continuation of JISHU JINGJI YU GUANLI YANJIU No 1, 1982 pp 1-7]

the result of development and the speed of development, the method of strengthening weak links and the needed adjustment of the economic structure, the choice between concentrated capital investment in new projects and some technical reform of existing enterprises, the choice between developing new regions and reasonable readjustment of productivity of old enterprises through rearrangement and technical reform, and the correct treatment of the relationship between raising economic benefits and the work of strengthening political ideology. Through analyses of the above problems, the author seeks to explain the grave nature of arriving at a correct economic development strategy. Some facts are cited to show that the several ups and downs of the Chinese economy were created by serious errors in strategic decisions. Some foreign data are also quoted to prove his point of view. For example, fast cars and well-built highways in the USA and Japan are blamed for the traffic congestion of cities of these countries and the economic development strategy of Norway is credited for the high average per capita income of 11 thousand US dollars in that country.

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ORG: None

TITLE: "Strengthening the Technical and Economic Work of Enterprises"

SOURCE: Taiyuan JISHU JINGJI YU GUANLI YANJIU [RESEARCH ON THE ECONOMICS AND MANAGEMENT OF TECHNOLOGY] in Chinese No 1, 31 Mar 82 pp 23-26

ABSTRACT: In order to development China's natural economy, the function of the existing enterprises must be fully utilized. The important way to do that is technical reform. In the process of technical reform, such problems as which equipment is to be renewed, which is to be replaced by a new one, whether a work procedure is to be changed or whether a new product design should be found, whether different raw materials should be used or whether new products should be created, etc. must be decided on the basis of the goal of good economic benefits. Many facts and data must be analyzed before correct decisions can be reached on these problems. This is what the author refers to as technical and economic work. The author claims that such technical economic work does not cost any money but it can prevent the enterprise from incurring losses and can cause the enterprise to gain good economic benefits. Furthermore, the author also claims that the method of technical economic analysis and evaluation is not difficult to master. It was in fact practiced by Chinese industries in the 50's and was called economic analysis and calculation. The author; therefore, believes that Chinese enterprises have the condition to strengthen their technical economic work.

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TITLE: "A Discussion of Several Problems in Post and Telecommunication Economics"

SOURCE: Taiyuan JISHU JINGJI YU GUANLI YANJIU [RESEARCH ON THE ECONOMICS AND MANAGEMENT OF TECHNOLOGY] in Chinese No 1, 31 Mar 82 pp 56-58, 60

ABSTRACT: In the past, the post-telecommunications industry in China was regularly designated as a material producing department in the national income statistics and the work of postal workers was counted completely as material-producing labor. This method does not fully reflect the nature of the industry, which is different from other material-producing departments such as agriculture and other industries. The postal workers do not produce any products of shape and form. It is a service type of labor, i.e. to transfer information. The post telecommunications industry is produced as a development from transportation economics. The goal of the industry is to give the maximum satisfaction of the information transfer needs of the society and its members. This paper explains the nature of the post telecommunications industry, its importance as the link among all other aspects of the national economy, and its dependence upon perfect and speedy coordination of all the parts within that industry. Giant post telecommunication systems of the USSR and the USA are briefly cited to demonstrate the position and function of that industry in a nation's economy.

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ORG: None

TITLE: "How to Resolve the Current Problem of Excess Repairs With Respect to Equipment Repair of Enterprises"

SOURCE: Taiyuan JISHU JINGJI YU GUANLI YANJIU [RESEARCH ON THE ECONOMICS AND MANAGEMENT OF TECHNOLOGY] in Chinese No 1, 31 Mar 82 pp 58-60

ABSTRACT: The goal of all activities of a factory is to use a minimum of capital, labor, equipment, and materials to produce more high quality products. It is for that goal, we have engineering management, quality control, cost control, equipment management, financial management, labor management, etc. Of these aspects, equipment management is often neglected. The job of equipment management is to reduce the expenditure and improve efficiency of the equipment during its useful life span. At present, there is a serious problem of excessive major repairs, i.e. repairing when no repairs are necessary or the cost of repair reaching more than 30 percent of the original cost of the equipment. In China, the rate of depreciation in machine industries is generally about 4 percent and equipment is depreciable in about 25 years. This system has reduced available money for equipment renewal. Moreover, at present, enterprises do not pay for using the equipment to cause many to think the longer a set of equipment is used the better it is for the enterprise. Consequently, there are more and more old equipment, with half of it incomplete and a utilization rate of only about 60 percent. Even such is the case, regular

[continuation of JISHU JINGJI YU GUANLI YANJIU No 1, 1982 pp 58-60]

major repairs are still routinely scheduled at a fixed rate of 10-15 percent. It does not matter how old is the equipment, how incomplete it may be, etc. it will be repaired as scheduled. The quality of this kind of repair is necessarily poor. This paper proposes a new equipment repair system to resolve this problem.

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